
A.M. PEISCH & COMPANY, LLP

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TOWN OF SPRINGFIELD, VERMONT

FINANCIAL STATEMENTS

JUNE 30, 2016

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SINCE 1920

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A.M. PEISCH & COMPANY, LLP



CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Springfield
Springfield, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springfield, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Springfield, Vermont, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-17, budgetary comparison information on pages 57-58, and the Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Contributions and related notes on page 59-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, on our consideration of the Town of Springfield, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Springfield, Vermont's internal control over financial reporting and compliance.

Rutland, Vermont
February 24, 2017
VT Reg. No. 92-0000102

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Springfield, Vermont, we offer readers of the Town of Springfield's financial statements this narrative overview and analysis of the financial activities of the Town of Springfield for the fiscal year that concluded June 30, 2016. We encourage readers to consider the information presented herein conjunction with additional information that we have furnished in the Town's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Springfield exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$35,997,744 (total net position). This is a decrease of \$859 from the total net position of the prior fiscal year. Of the total net position amount, \$360,268 (total unrestricted net position) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors. This is a decrease of \$487,268 from the total unrestricted net position of the prior fiscal year.
- As of the close of the most recent fiscal year, the Town of Springfield's governmental funds reported combined ending fund balances of \$9,043,169, a decrease of \$752,427 in comparison with the prior year balance of \$9,795,596. Of this total amount, \$1,893,845 is available for spending at the government's discretion (either committed, assigned, or unassigned). Management has committed or assigned \$1,335,021 of this unreserved fund balance for specific purposes, leaving \$558,824 in unassigned fund balance.
- The net position for the Town of Springfield's proprietary funds decreased to \$10,829,934 at the close of the current year from \$11,155,139 at the close of the prior fiscal year, a decrease of \$325,205.

Overview of the Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Springfield's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Town of Springfield's assets, liabilities, and deferred flows of resources, with the net difference between them reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Springfield is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported using the accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including the police, fire and ambulance, public works, parks and recreation, library, community development, and general administration. Property taxes and state and federal grants finance most of these activities.

Business-type activities - The Town charges a fee to customers in order to finance all or most of the cost of certain services that it provides. The Town's Water and Sewer Department and a small, dormant Solid Waste Fund are reported as business-type activities.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Springfield, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town of Springfield are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Fund balance reporting is used to clarify the level of restrictions on resources. There are five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable fund balances are amounts that are not in spendable form, such as inventory or pre-paid expenses. The other components of fund balance are categorized based on a hierarchy of spending constraints.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The amounts reported for governmental activities in the Statement of Net Position and the amounts reported in the Financial Funds Balance Sheet are different because:

1. Capital Assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.
2. Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds.
3. Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

The Town of Springfield maintains three individual governmental funds. They are the General Fund (Fund 1), the Special Revenue Fund (Fund 3), and the Permanent Fund (Fund 6). The General Fund is where most of the Town of Springfield's basic services as described above in Governmental Activities.

The Town of Springfield is a participant in the Vermont Community Development Program (VCDP), which provides funding for economic development and rehabilitation projects within the community. Under this program, funds are awarded to the Town in the form of grants. The Town then loans the funds to various local not-for-profit and business entities. Repayment of these loans establishes a revolving loan fund. In addition, the Town of Springfield has received various grants from the State, such as monies received in accordance with the Correctional Facility Agreement. The financial reporting of these activities is reported in the Special Revenue Fund.

Proprietary Funds - When a Town charges customers for the services that it provides, these services are generally reported in proprietary funds. The enterprise funds, a component of proprietary funds, are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information such as cash flows. The Town of Springfield has two enterprise funds: the Water and Sewer Fund (Fund 2) and the mostly dormant Solid Waste Fund. Due to the small size of this latter fund, it is reported as “Nonmajor Enterprise Fund” in all the statements for proprietary funds.

Permanent Funds - Permanent Funds are funds set aside for the cemetery and the library which are managed by the Trustees of Public Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held in a trustee or agency capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Springfield’s ordinary operations. The accounting for fiduciary funds is much like that used for proprietary funds. The Trustees of Public Funds administer these funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Town of Springfield						
Statement of Net Position						
June 30, 2016						
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 10,884,216	\$ 11,255,742	\$ (225,725)	\$ (161,239)	\$ 10,658,491	\$ 11,094,503
Capital assets	18,364,528	17,574,451	26,133,517	25,947,034	44,498,045	43,521,485
Total assets	<u>29,248,744</u>	<u>28,830,193</u>	<u>25,907,792</u>	<u>25,785,795</u>	<u>55,156,536</u>	<u>54,615,988</u>
Deferred Outflows of Resources						
Pension	\$ 1,014,923	\$ 297,296	\$ 132,118	\$ 39,340	\$ 1,147,041	\$ 336,636
Liabilities						
Accounts payable/accrued expenses/deferred revenue	\$ 1,260,644	\$ 981,235	\$ 158,413	\$ 211,863	\$ 1,419,057	\$ 1,193,098
Long-term liabilities	3,632,256	2,498,603	15,043,929	14,375,371	18,676,185	16,873,974
Total liabilities	<u>4,892,900</u>	<u>3,479,838</u>	<u>15,202,342</u>	<u>14,587,234</u>	<u>20,095,242</u>	<u>18,067,072</u>
Deferred Inflows of Resources						
Pension	\$ 57,691	\$ 668,018	\$ 7,634	\$ 82,762	\$ 65,325	\$ 750,780
Revenues collected in advance	145,266	136,169	-	-	145,266	136,169
Total deferred inflows of resources	<u>202,957</u>	<u>804,187</u>	<u>7,634</u>	<u>82,762</u>	<u>210,591</u>	<u>886,949</u>
Net Assets						
Net investment in capital assets	\$ 16,879,528	\$ 15,934,451	\$ 11,480,772	\$ 11,717,528	\$ 28,360,300	\$ 27,651,979
Restricted	7,111,676	7,333,588	165,500	165,500	7,277,176	7,499,088
Unrestricted	1,176,606	1,575,425	(816,338)	(727,889)	360,268	847,536
Total net assets	<u>\$ 25,167,810</u>	<u>\$ 24,843,464</u>	<u>\$ 10,829,934</u>	<u>\$ 11,155,139</u>	<u>\$ 35,997,744</u>	<u>\$ 35,998,603</u>

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Springfield, assets exceeded liabilities by \$35,997,744 at the close of the fiscal year, June 30, 2016. This compares to total net position of \$35,998,603 as of June 30, 2015. This is a decrease of \$859, from the prior year.

Of this net position, \$28,360,300 (or 78.8% of total net position) is invested in the Town of Springfield's capital assets (e.g., land, buildings, equipment, and infrastructure). The Town of Springfield uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending unless the Town opts to reduce the services that it provides and is able to liquidate the assets that are no longer necessary due to this reduction in services. Although the Town of Springfield's investment in its capital assets is reported net of related debt and related deferred inflows and outflows of resources, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$7,277,176 (or 20.2% of total net position) of the Town of Springfield's net position represents resources that are subject to external restriction as to how they may be used. The remaining balance of unrestricted net assets, \$360,268 (or 1.0%), may be used to meet the government's ongoing obligations to its citizens and creditors. Included in unrestricted net assets are amounts that management has committed for particular purposes, such as capital reserve funds, and reserves assigned for expenditures in future years. The Town of Springfield has deferred outflows of resources relating to its participation in the Vermont Municipal Employees Retirement System (VMERS) of \$1,147,041. Deferred outflows related to VMERS as of June 30, 2015 were \$336,636.

For the year ended June 30, 2016, the Town of Springfield had total liabilities of \$20,095,242. Of this amount, long-term liabilities amounted to \$18,676,185 and \$1,419,057 was in the form of other liabilities. This compares to total liabilities as of June 30, 2015 of \$18,067,072, of which \$16,873,974 were long-term liabilities and other liabilities totaled \$1,193,098.

Town of Springfield's deferred inflows of resources totaled \$210,591 as of year-end. This amount consists of pensions (\$65,325) and revenue collected in advance of the due date (\$145,266). At June 30, 2015 deferred inflows totaled \$886,949, which consists of both pensions totaling \$750,780, and revenue collected in advance totaling \$136,169.

As of June 30, 2016, the Town of Springfield is able to report positive balances in both categories of net position, governmental activities and business-type activities. The same situation held true for the prior fiscal year as well.

From the Statement of Activities, the total program revenues, consisting of charges for services (\$4,204,838), operating grants (\$665,091), and capital grants (\$498,612) for the government as a whole amounted to \$5,368,541. This amount does not include general revenues. The total amount of expenses was \$22,158,420. This resulted in a deficit of \$16,789,879 before general revenues are included. This compares to the prior year's total program revenue of \$5,027,388, with \$3,987,229 in charges for services, \$850,504 in operating grants, and \$189,655 in capital grants. The total expenses for the prior year were \$22,248,438.

General revenues for the fiscal year that ended June 30, 2016 totaled \$16,789,020, up from \$16,450,213 the prior year. The vast majority of general revenue was received in the form of property taxes, \$16,630,209, up from \$16,338,002 in 2015. Other general revenues include: grants and contributions not restricted to specific programs, unrestricted investment earnings, fees and interest, and other small miscellaneous items. The net of the deficit above of \$16,789,879 and the general revenues of \$16,789,020 is \$859. This is the decrease in net position for the Town of Springfield for the year after rounding to nearest dollar figures.

There is also a transfer from governmental activities to business-type activities of \$466,000. This amount is transferred to assist in the maintenance of the Pre-Treatment Facility, the storm drains, and the fire hydrants. These activities are properly expensed in governmental activities, though the work is performed by the personnel of the water and sewer department. As this transfer is internal to the government as a whole, it has no affect on the net position of the Town.

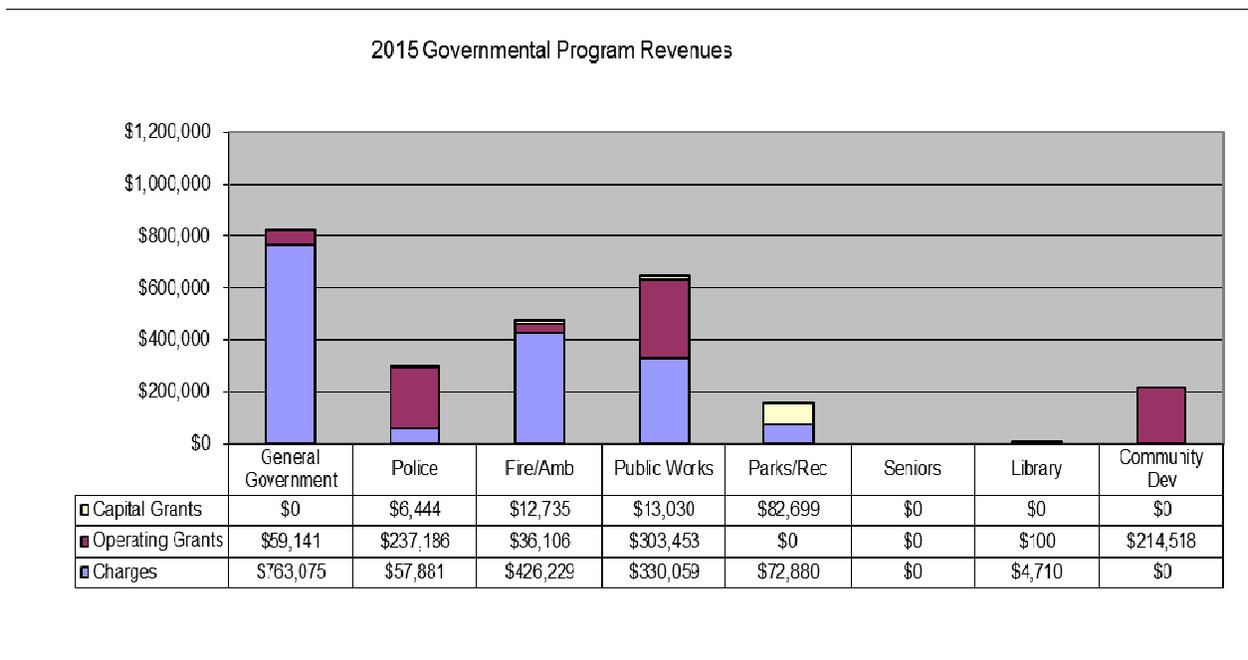
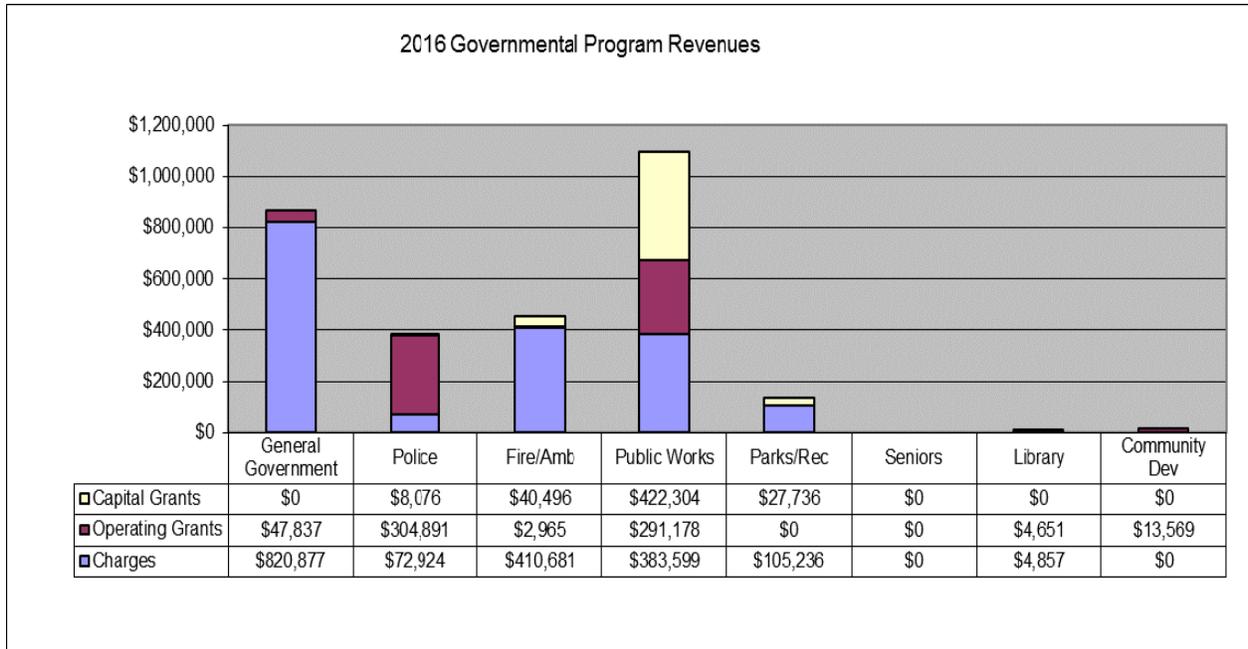
Governmental Activities

Governmental Activities increased the Town of Springfield's net assets by \$324,346 during the fiscal year that ended June 30, 2016. Included in this increase are capital grants and contributions totaling \$498,612. The Town of Springfield's governmental activities decreased net assets by \$289,854 during the previous fiscal year that ended June 30, 2015.

Governmental Activities are funded in three ways: charging for services, operating grants, and capital grants. For the fiscal year ending June 30, 2016, the total program revenues for governmental activities were \$2,961,877, up from the prior year's total of \$2,620,246. The total current year charges for services were \$1,798,174. The programs that receive the most revenue for services are General Government (\$820,877), mostly for Payments in Lieu of Taxes and Current Use, Town Clerk fees, and the Readiness to Serve payment from the Correctional Facility, Fire and Ambulance (\$410,681, primarily for Ambulance revenue), and Public Works (\$383,599), a majority of which is due to activity at the transfer/recycling station).

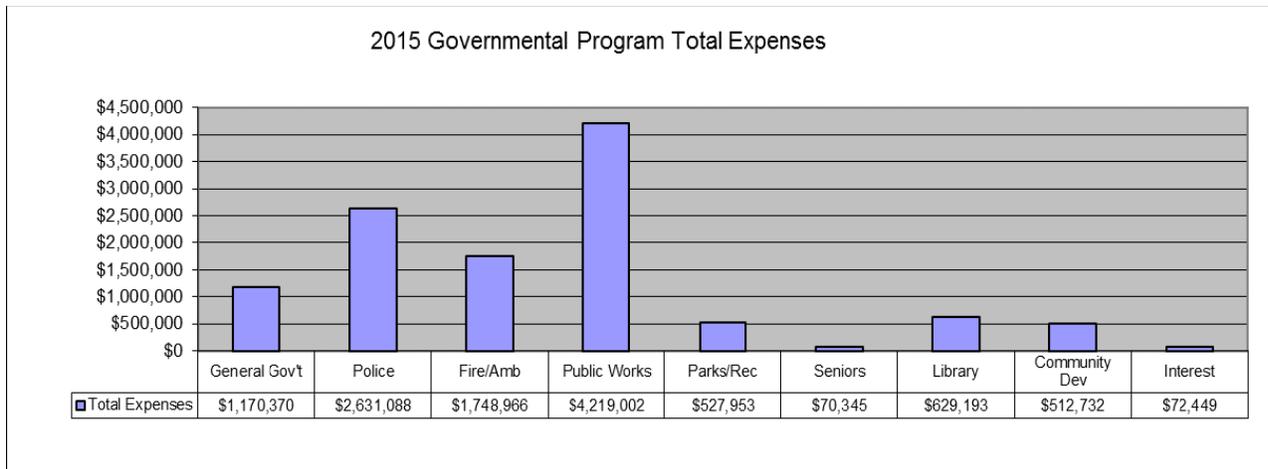
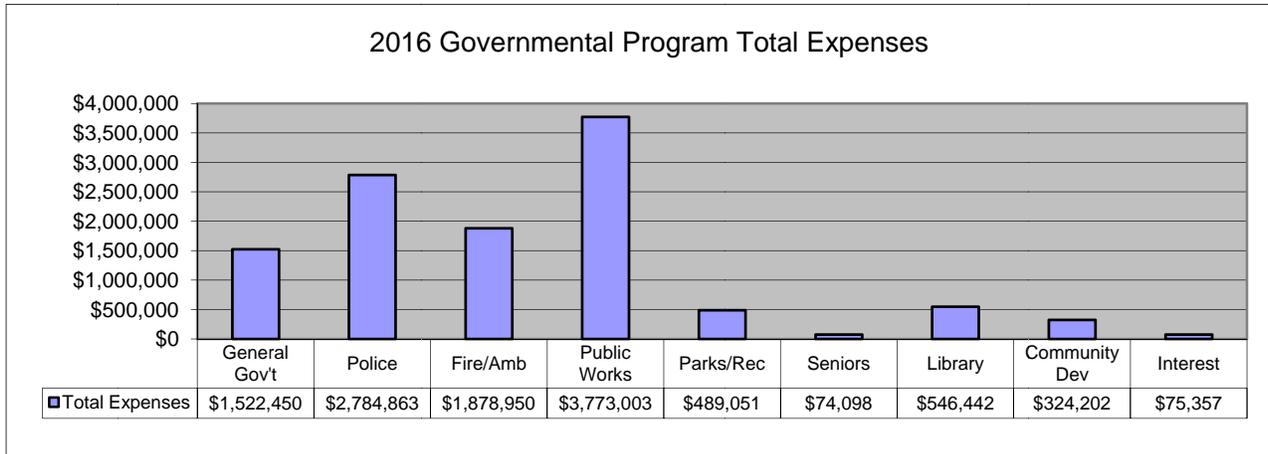
The total revenue received in operating grants for governmental activities was \$665,091. The largest portion of this amount was received for the Police Department (\$304,891). The Public Works Department (\$291,178) also received significant operating grants. The total revenue received in capital grants for governmental activities was \$498,612 a majority of which was received by the Public Works Department (\$422,304).

For a complete breakdown of the program revenues in governmental activities and a comparison to the prior year numbers, please see the two charts below.



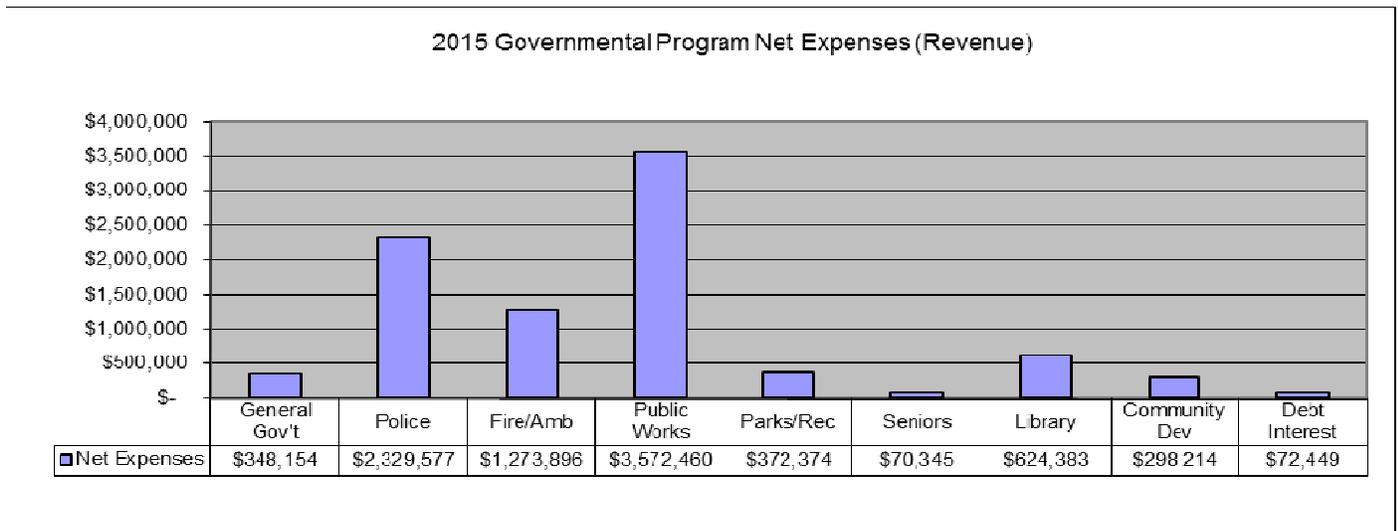
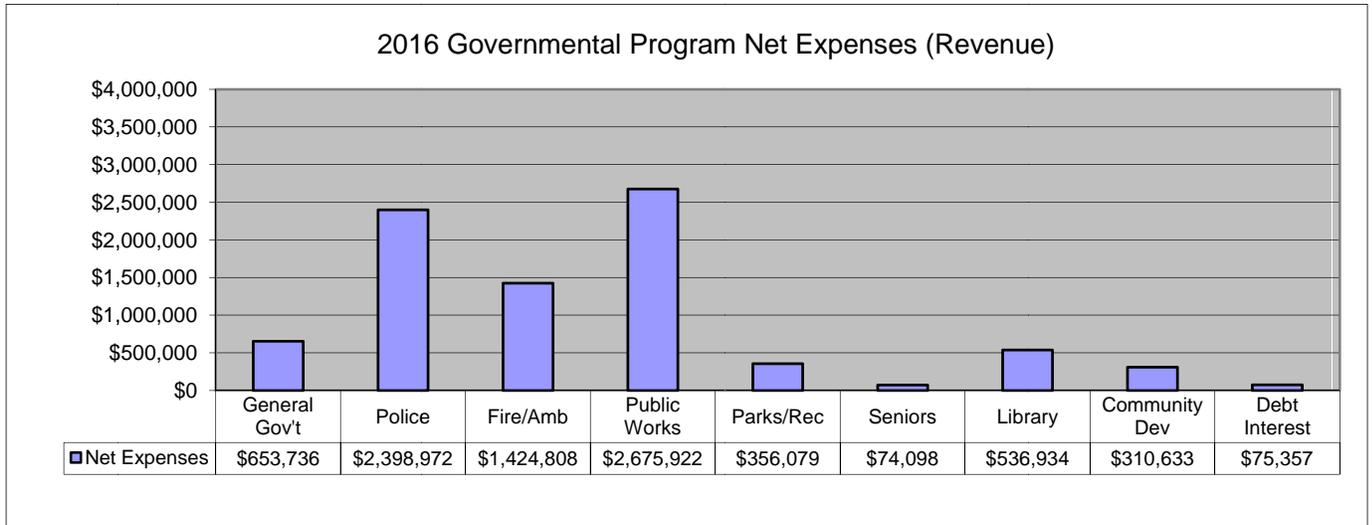
The total expenses for Governmental activities for the year ended June 30, 2016, not including the \$7,492,109 payment to the School District for Education, was \$11,468,416. This compares to the total expenses for Governmental activities for the year ended June 30, 2015, not including the \$7,503,162 payment to the School District for Education, of \$11,582,098. This is a decrease of \$113,682.

For a complete breakdown of the total expense by program in governmental activities and a comparison to the prior year numbers, please see the two charts below.



From the Statement of Activities, the total net expense for governmental activities for the fiscal year ending June 30, 2016 was \$15,998,648, down from \$16,465,014 the prior year. After deducting the payment to the school district, the net expense in 2016 for municipal government operations was \$8,506,539, down from \$8,961,852 in 2015.

The two tables below shows how this amount was distributed by function for the current fiscal year as well as the prior year for comparison.



Business-type Activities

Business-type activities decreased the Town of Springfield's net position by \$325,205 during the fiscal year that ended June 30, 2016. The depreciation expense for the year was \$834,301. Going forward, unless investment in capital upgrades equals or exceeds the depreciation expense, it can be expected that the decline in net capital assets will continue. Grants towards capital assets, like the Wastewater Treatment Plant and the Combined Sewer Overflow (CSO) Project, are considered capital contributions.

The program revenues for the business-type activities totaled \$2,406,664. This amount was received from charges for services in the water and sewer department. The change in business-type activities, a decrease of \$325,205, is the net result of net expenses of a negative \$791,231, a transfer from governmental activities of \$466,000, and unrestricted investment earnings of \$26. The depreciation expense, mentioned above was \$834,301, accounting for most of the decrease.

Governmental Funds

As noted earlier, the Town of Springfield uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The focus of the Town of Springfield's governmental funds is to provide information on near-term inflows, outflows, and balances of "spendable" resources. Such information is useful in assessing the Town of Springfield's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year that ended June 30, 2016, the Town of Springfield's governmental funds reported combined ending fund balances of \$9,043,169, a decrease of \$752,427 in comparison to the prior year balance of \$9,795,596. The combined committed, assigned, and unassigned fund balance, which is available for spending at the government's discretion, is \$1,893,845. The Town of Springfield has committed \$316,060 of this amount for capital reserve funds. An additional \$1,018,961 is assigned for special purposes (\$142,178) and expenditures in subsequent periods (\$876,783). The remainder of the fund balance is allocated as nonspendable, which are prepaid expenses (\$68,570), Cemetery Fund principal (\$544,280) and restricted (\$6,536,474). Of the restricted amount, \$2,754,654 is allocated to Civic Improvement, \$2,061,528 is allocated for revolving loan funds, \$340,289 is allocated for the library and cemetery portions of the Trustees funds, \$100,000 is restricted for capital projects, \$830,364 is restricted to economic development, and \$449,639 is restricted for other purposes.

The general fund is the chief operating fund of the Town of Springfield. As of June 30, 2016, the fund balance of the general fund was \$2,391,814. Of this amount, the nonspendable amount was \$68,570, the restricted amount was \$440,482, the committed amount was \$316,060, the assigned amount was \$1,007,878, and the unassigned amount was \$558,824.

The Town of Springfield's general fund balance decreased by \$377,623 during the fiscal year that ended June 30, 2016. The primary factors in this decrease were

- Using funds set aside from previous years for paving
- Using funds set aside from previous years for equipment purchases

The fund balance of the Town of Springfield's special revenue fund decreased by \$381,375. This decrease is due to the decline in the value of the long term investments held in the special revenue fund.

Proprietary Funds

The Town of Springfield's proprietary funds reports provide the same type of information found in the government-wide statements, only in more detail.

The total operating revenue was \$2,376,335, compared to the prior year's total operating revenue of \$2,330,155. The total operating expenses were \$2,871,631, compared to the prior year total of \$2,805,997. The net operating loss for 2016 was \$495,296, which is \$19,454 more than the 2015 operating loss of \$475,842.

The total net position for the water and sewer fund decreased to \$10,826,991 on June 30, 2016 from \$11,152,196 on June 30, 2015, a decrease of \$325,205. Of the total net position for the fund, \$11,480,772 was net investment in capital assets, \$165,500 was restricted for capital purposes, leaving a negative \$816,338 for unrestricted net position. As mentioned above in the

discussion of business-type activities, the primary reason for the decrease in total net position is that the depreciation of the capital assets exceeds investment in new capital assets. The water and sewer rate is not high enough to cover the depreciation of the assets, resulting in a net operating loss of \$495,296. There is also a non-major enterprise fund for Solid Waste. The balance of this fund is \$2,943. There was no activity in this fund during the year.

General Fund Budgetary Highlights

The above analysis and financial data was developed based on generally accepted accounting principles (GAAP). The Town of Springfield also provides this information on a budgetary basis. A simple example using the purchase of a vehicle will clarify the difference between GAAP and budgetary. Under Government-wide GAAP, the expense of the vehicle is the decrease in value over the course of the year due to depreciation. If the vehicle cost \$25,000 and is expected to be in service for 5 years, the annual accrual expense is \$5,000 for each of the five years. On a budgetary basis, the entire expense of the vehicle is recorded in the year of purchase. The following analysis will be on the budgetary basis.

The Town bases its tax revenue budget on 100% of current year taxes due. It is expected that the delinquent tax collections will offset the shortfall in current year tax collection. This year, the Town was able to collect \$8,770,661 in property tax revenue, \$38,765 more than the budgeted amount of \$8,731,896. Also in revenues, the Town budgeted \$629,000 for payments in lieu of taxes (PILOT). This revenue comes mainly from the State for state property, including the correctional facility, and the current use program. The actual revenue in 2015-2016 was \$707,984, exceeding budget by \$78,984. As the current use program funding can be reduced by the State of Vermont, the Town does not budget for this entire amount.

The overall budgetary variance for the fiscal year that ended June 30, 2016 was a positive \$32,979. While this amount is small relative to the amount of budgeted expenses, \$11,048,411, it was the result of significant activities that offset to that small budgetary result. Taxes revenues came in favorable by \$38,765. Although, ambulance revenues experienced a shortfall of \$34,303, the Town did receive \$39,519 in excess of budgeted state grants, primarily to support emergency service activities.

Other budgetary areas where there was a significant difference were Fixed Costs Department (over by \$208,302) and the Capital Expenditures (over by \$114,107). The increase in the Fixed Cost Department is partially due to an increase in Workers Compensation rates and partially due tax abatements included in the Losses & Claims line item.

The Town of Springfield did not have any significant changes from the original budget to the final budget for the 2016 fiscal year.

Capital Asset and Debt Administration

Capital Assets-

The Town of Springfield's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$28,360,300 (net of accumulated depreciation and related debt). This is an increase of \$708,321 from the June 30, 2015 total of \$27,651,979. Of the current amount, \$16,879,528 is invested in the capital assets for governmental activities and \$11,480,772 is invested in the capital assets of business-type activities. This investment in capital assets includes land, buildings and improvements, vehicles and equipment, roads and bridges, and water and wastewater distribution and collection systems. This amount does not include infrastructure (roads, bridges, retaining walls, etc.) that was put in place prior to July 1, 2003. As the Town of Springfield had an operating budget of under \$10,000,000 as of July 1, 1999, it was not required to retroactively report infrastructure assets in order to comply with GASB 34. Capital infrastructure work completed after July 1, 2003 is recorded.

Major capital asset events during the fiscal year that ended June 30, 2016 include:

- Water and Sewer main improvements on Valley, Pine and Myrtle Streets \$1,147,358
- Meadow Drive Improvements \$444,720
- Paving completed on Old Conn. Road, Summer St, Main St, Pleasant St, Common St, Loveland St, Ridgewood Road, Birdland, Padden Acres, South Street, Fairgrounds Road and Carly Road \$702,546.
- The Highway Department purchased a plow truck, loader, small dump truck, and Kubota \$544,759.
- The Police Department purchased two vehicles and installed in car cameras \$100,101.
- The Fire Department purchased a rescue truck, analog radios and an ambulance for \$281,883.
- Downtown Police cameras \$18,621.

Prior to June 30, 2016, the Town ordered a new plow truck for \$169,236 and a snow blower for \$122,510. The expense for the truck and snow blower are budgeted in FY17, but the Town had to order the truck early due to the long lead time.

Debt Administration-

As of June 30, 2016, the Town of Springfield had debt totaling \$18,676,185, which includes long term borrowing, short term borrowing, net pension liability, and accrued compensated absences. The Town of Springfield has two long term water and wastewater projects, the Combined Sewer Overflow (CSO) project and the Water project.

In addition, the Town has a commitment of \$257,532 in accrued compensated absences to its employees in the governmental units. The Town has a further commitment of \$163,591 to its employees in the business-type activities (water and sewer). This is the amount that the Town has set aside to pay employees for accrued sick time when they retire at some point in the future. The Town also has a pension liability of \$1,856,657 relating to its participation in the Vermont Municipal Employee Retirement System.

The balance of the debt, \$16,398,405, is in the form of signed notes and bonds. Here is a chart of these commitments:

**TOWN OF SPRINGFIELD
LONG-TERM DEBT
June 30, 2016**

	Interest Rate	Date of Final Payment	Town Debt 6/30/2015	Additions	Retirements	Town Debt 6/30/2016
EPA loan ** see note	0.00%	--	\$ 237,411	\$ 41,124	\$ 35,000	\$ 243,535
VT Muni Bond Bank	2.8-4.98%	12/1/2016	80,000	-	40,000	40,000
Renovation Bond ***	4.212%	12/1/2028	1,560,000	-	115,000	1,445,000
Total			\$ 1,877,411	\$ 41,124	\$ 190,000	\$ 1,728,535

USDA Rural Development

92-04	4.500%	12/1/2033	1,356,763	-	48,463	1,308,300
92-10	4.125%	9/28/2035	110,209	-	3,522	106,687
92-14	4.125%	9/28/2035	351,371	-	11,229	340,142
92-12	4.125%	9/28/2035	380,136	-	12,147	367,989
92-15	4.500%	12/10/2037	515,003	-	13,624	501,379
91-06	4.000%	9/27/2040	1,828,902	-	42,343	1,786,559

VT Municipal Bond Bank

RF1-019	0.000%	10/1/2022	366,254	-	45,782	320,472
RF3-034	3.000%	10/1/2021	136,380	-	17,798	118,582
AR3-028	0.000%	1/1/2031	587,474	-	36,718	550,756
AR1-002	0.000%	4/1/2031	552,649	-	33,677	518,972
RF1-130	0.000%	4/1/2031	45,528	-	2,678	42,850
RF1-089	0.000%	5/1/2029	208,805	-	14,915	193,890
RF3-060	0.060%	4/1/2031	1,195,586	-	81,073	1,114,513
RF1-055	0.000%	9/1/2024	519,273	-	51,926	467,347
2014 Series 3	3.402%	11/15/2034	2,805,000	-	145,000	2,660,000
RF3-240	3.000%	12/1/2031	3,270,173	-	96,450	3,173,723
RF3-172	0.000%	11/1/2046	-	291,770	-	291,770
RF3-312	0.000%	11/1/2046	-	805,939	-	805,939
Total			\$ 14,229,506	\$ 1,097,709	\$ 657,345	\$ 14,669,870
Grand Total			\$ 16,106,917	\$ 1,138,833	\$ 847,345	\$ 16,398,405

Note: The EPA provided the balance above as of June 30, 2016. As the monitoring is ongoing, the EPA will send updates as of June 30 each year.

The Town of Springfield does not have its own credit rating. The Town borrows through the Vermont Municipal Bond Bank. As of June 17, 2016, the VMBB's rating was Aa2.

Economic Factors and Next Year's Budgets and Rates

- The taxable grand list (total assessed value divided by 100) for the Town of Springfield decreased to \$6,347,013 as of June 30, 2016 from \$6,493,240 for the 2015/2016 fiscal year. This is a decrease of 2.2%.
- The unemployment rate in Springfield as of June 30, 2016 was 3.0%, down from 4.0% a year earlier. This compares with a rate of 3.2% statewide, down from 3.6% June 30, 2015.
- Committed capital reserve funds at the end of June 30, 2016 amounted to \$316,060. These funds are available for appropriation to fund capital and equipment purchases in coming years.
- Under Act 68, there are different tax rates for Springfield resident and non-resident taxpayers. Homestead residential properties pay \$0.1249 more than non-residential properties per \$100 of assessed value for the 2016/2017 fiscal year.

All of these factors were considered in preparing the Town of Springfield's budget and setting the tax rates for the 2017 fiscal year.

The Town of Springfield approved a general fund budget for the 2017 fiscal year in the amount of \$11,019,221. This represents an increase of \$253,160, or 2.3%, over the approved budget for the previous year. The budget for capital expenditures is \$644,000, a decrease of \$133,510, or 26%, from the prior year's capital budget. The Town has budgeted for \$644,000 of this amount to be received from the Town's designated reserve funds and other reserved funds in order to minimize the increase in the tax rate due to the Town's planned capital improvements. The combined municipal and school tax rate for Springfield residents for fiscal year 2017 is \$3.0386 per \$100 of assessed value. The combined municipal and school tax rate for non-residents is \$2.9137 per \$100 of assessed value.

The Board of Selectmen asked that the town roads be analyzed so that they could determine the town's paving needs. As a result, a Road Surface Management Study (RSMS) was conducted. The results of the RSMS were then used to develop a potential 14 year plan to bring all paved town roads up to standard. This 14 year plan included suggestions for which roads will be paved which years and with an estimated cost per year. In FY17 there is \$300,000 in the budget for road paving and reconstruction. The RSMS proposal completed in March 2015 suggests that this amount be \$700,000 increased by \$100,000 each budget year until the annual budget is \$1,000,000. The Town continues to budget for future work on the so-called McDonalds Bridge and the so-called Park Street Bridge.

For the fiscal year 2017, the water rate increased to \$4.32 per 100 cubic feet from \$4.01 per 100 cubic feet and the sewer rate increased from \$5.85 per 100 cubic feet to \$6.46 per 100 cubic feet. The increase in the sewer rate was the result of the commencement of repayment on a number of bonds for the water projects that the Town was under 1272 orders by the State to complete. These projects are ongoing.

It must be noted that in accordance with the Correctional Facility Agreement, the Correctional Facility (which opened in September 2003) pays double the regular water and sewer rates for a period of 20 years. Without this surcharge, the water rate would increase roughly 37 cents per 100 cubic feet of metered usage and the sewer rate would increase approximately 70 cents per hundred cubic feet.

Requests for Information

This financial report is designed to provide a general overview of the Town of Springfield's finances for all those interested in the Town's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Comptroller, Town of Springfield, 96 Main Street, Springfield, VT 05156.

BASIC FINANCIAL STATEMENTS

Town of Springfield, Vermont
Statement of Net Position
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,609,000	\$ 308,762	\$ 3,917,762
Investments	2,616,814	-	2,616,814
Receivables (net)	2,794,343	977,788	3,772,131
Internal balances	1,648,900	(1,648,900)	-
Due from other governmental agencies	74,361	-	74,361
Inventories	-	136,625	136,625
Prepaid expenses	68,570	-	68,570
Tax sale real estate	72,228	-	72,228
Capital assets:			
Land, improvements, and construction in progress	466,189	281,434	747,623
Other capital assets, net of depreciation	<u>17,898,339</u>	<u>25,852,083</u>	<u>43,750,422</u>
Total capital assets	<u>18,364,528</u>	<u>26,133,517</u>	<u>44,498,045</u>
Total assets	<u>29,248,744</u>	<u>25,907,792</u>	<u>55,156,536</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>1,014,923</u>	<u>132,118</u>	<u>1,147,041</u>
LIABILITIES			
Accounts payable and accrued expenses	1,230,906	158,413	1,389,319
Unearned revenues	29,738	-	29,738
Long-term liabilities			
Due within one year	190,000	660,662	850,662
Due in more than one year	1,796,067	14,172,799	15,968,866
Net pension liability	<u>1,646,189</u>	<u>210,468</u>	<u>1,856,657</u>
Total liabilities	<u>4,892,900</u>	<u>15,202,342</u>	<u>20,095,242</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	57,691	7,634	65,325
Revenues collected in advance	<u>145,266</u>	<u>-</u>	<u>145,266</u>
Total deferred inflows of resources	<u>202,957</u>	<u>7,634</u>	<u>210,591</u>
NET POSITION			
Net investment in capital assets	16,879,528	11,480,772	28,360,300
Restricted for:			
Capital projects	100,000	165,500	265,500
Library	309,908	-	309,908
Cemeteries	574,661	-	574,661
Civic improvement	2,754,654	-	2,754,654
Housing development	1,529,675	-	1,529,675
Economic development	1,362,217	-	1,362,217
Other purposes	480,561	-	480,561
Unrestricted	<u>1,176,606</u>	<u>(816,338)</u>	<u>360,268</u>
Total net position	<u>\$ 25,167,810</u>	<u>\$ 10,829,934</u>	<u>\$ 35,997,744</u>

See accompanying notes.

**Town of Springfield, Vermont
Statement of Activities
For the Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 1,522,450	\$ 820,877	\$ 47,837	\$ -	\$ (653,736)	\$ -	\$ (653,736)
Police	2,784,863	72,924	304,891	8,076	(2,398,972)	-	(2,398,972)
Fire and ambulance	1,878,950	410,681	2,965	40,496	(1,424,808)	-	(1,424,808)
Public works	3,773,003	383,599	291,178	422,304	(2,675,922)	-	(2,675,922)
Parks and recreation	489,051	105,236	-	27,736	(356,079)	-	(356,079)
Senior citizens	74,098	-	-	-	(74,098)	-	(74,098)
Library	546,442	4,857	4,651	-	(536,934)	-	(536,934)
Community development	324,202	-	13,569	-	(310,633)	-	(310,633)
Education (payment to School District)	7,492,109	-	-	-	(7,492,109)	-	(7,492,109)
Interest on debt	75,357	-	-	-	(75,357)	-	(75,357)
Total governmental activities	<u>18,960,525</u>	<u>1,798,174</u>	<u>665,091</u>	<u>498,612</u>	<u>(15,998,648)</u>	<u>-</u>	<u>(15,998,648)</u>
Business-type activities							
Water and sewer fund	<u>3,197,895</u>	<u>2,406,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(791,231)</u>	<u>(791,231)</u>
Total business-type activities	<u>3,197,895</u>	<u>2,406,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(791,231)</u>	<u>(791,231)</u>
Total	<u>\$ 22,158,420</u>	<u>\$ 4,204,838</u>	<u>\$ 665,091</u>	<u>\$ 498,612</u>	<u>(15,998,648)</u>	<u>(791,231)</u>	<u>(16,789,879)</u>
General revenues:							
Property taxes, levied for general purposes					16,630,209	-	16,630,209
Unrestricted investment earnings (losses)					1,935	26	1,961
Unrestricted fees					130,248	-	130,248
Miscellaneous					13,152	-	13,152
Contributions to permanent fund principal					13,450	-	13,450
Transfers					(466,000)	466,000	-
Total general revenues and transfers					<u>16,322,994</u>	<u>466,026</u>	<u>16,789,020</u>
Change in net position					324,346	(325,205)	(859)
Net position - Beginning					<u>24,843,464</u>	<u>11,155,139</u>	<u>35,998,603</u>
Net position - Ending					<u>\$ 25,167,810</u>	<u>\$ 10,829,934</u>	<u>\$ 35,997,744</u>

See accompanying notes.

Town of Springfield, Vermont
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,408,958	\$ 1,459,547	\$ -	\$ 2,868,505
Cash - Weathersfield Dam	147,609	-	-	147,609
Certificates of Deposit	-	592,886	-	592,886
Investments	-	2,616,814	-	2,616,814
Delinquent property taxes	540,509	-	-	540,509
Receivables, net	137,095	1,229,696	-	1,366,791
Receivable from other governments	958	73,403	-	74,361
Due from other funds	2,050,526	348,437	887,043	3,286,006
Other assets	72,228	-	-	72,228
Prepaid expenses	68,570	-	-	68,570
Total assets	\$ 4,426,453	\$ 6,320,783	\$ 887,043	\$ 11,634,279
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 406,425	\$ 211,448	\$ -	\$ 617,873
Accrued payroll and related taxes	189,082	-	-	189,082
Due to other funds	465,700	281,889	2,474	750,063
Unearned revenue	-	29,738	-	29,738
Accrued vacation pay	416,144	-	-	416,144
Total liabilities	1,477,351	523,075	2,474	2,002,900
 Deferred inflows of resources:				
Revenues collected in advance	145,266	-	-	145,266
Unavailable revenue - grants	-	30,922	-	30,922
Unavailable revenue - taxes and fees	412,022	-	-	412,022
Total deferred inflows of resources	557,288	30,922	-	588,210
 Fund balances:				
Nonspendable:				
Prepaid expenses	68,570	-	-	68,570
Permanent Funds	-	-	544,280	544,280
Restricted	440,482	5,755,703	340,289	6,536,474
Committed	316,060	-	-	316,060
Assigned	1,007,878	11,083	-	1,018,961
Unassigned	558,824	-	-	558,824
Total fund balances	2,391,814	5,766,786	884,569	9,043,169
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,426,453	\$ 6,320,783	\$ 887,043	\$ 11,634,279

See accompanying notes.

Town of Springfield, Vermont
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,043,169

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$29,836,521 and the accumulated depreciation is \$11,471,993. 18,364,528

Net pension liability and deferred inflows and outflows of resources related to the defined benefit pension plan are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Deferred outflows of resources	\$ 1,014,923	
Net pension liability	(1,646,189)	
Deferred inflows of resources	<u>(57,691)</u>	(688,957)

Deferred revenues are recognized on an accrual basis in the statement of net position, not the modified accrual basis.

Deferred revenues at year end consist of:

Unavailable revenue - taxes and fees	412,022	
Unavailable revenue - grants	<u>30,922</u>	442,944

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and notes payable	(1,728,535)	
Accrued interest on bonds and notes payable	(7,807)	
Accrued compensated absences	<u>(257,532)</u>	<u>(1,993,874)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 25,167,810

See accompanying notes.

Town of Springfield, Vermont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 16,569,437	\$ -	\$ -	\$ 16,569,437
Less payments to School District	<u>7,492,109</u>	<u>-</u>	<u>-</u>	<u>7,492,109</u>
Net taxes	9,077,328	-	-	9,077,328
Payments in lieu of taxes	707,701	-	-	707,701
Intergovernmental revenue	335,750	753,125	-	1,088,875
Collector's fees and interest	135,171	-	-	135,171
Licenses, fees and permits	95,053	97,320	-	192,373
Charges for services	768,241	2,432	-	770,673
Investment earnings	1,935	13,569	8,419	23,923
Miscellaneous	22,717	2,165	13,450	38,332
Other reimbursements	<u>20,851</u>	<u>-</u>	<u>-</u>	<u>20,851</u>
Total revenues	<u>11,164,747</u>	<u>868,611</u>	<u>21,869</u>	<u>12,055,227</u>
EXPENDITURES				
Current operations:				
Finance and administration	752,276	-	-	752,276
Police	1,721,032	30,080	-	1,751,112
Fire and ambulance	1,256,221	40,496	-	1,296,717
Public works	1,752,314	444,720	-	2,197,034
Parks and recreation	274,963	157,688	-	432,651
Senior Citizens	53,723	-	-	53,723
Library	457,593	-	-	457,593
Fixed costs	2,658,243	-	-	2,658,243
Other	144,274	-	-	144,274
Special appropriations	194,859	-	-	194,859
Windsor County tax	49,035	-	-	49,035
Grant expenditures	-	496,894	-	496,894
SVRCF expense	-	80,108	-	80,108
Debt service:				
Principal	155,000	-	-	155,000
Interest and other charges	76,058	-	-	76,058
Capital outlay	<u>1,587,201</u>	<u>-</u>	<u>-</u>	<u>1,587,201</u>
Total expenditures	<u>11,132,792</u>	<u>1,249,986</u>	<u>-</u>	<u>12,382,778</u>
Excess (deficiency) of revenues over expenditures	<u>31,955</u>	<u>(381,375)</u>	<u>21,869</u>	<u>(327,551)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	41,124	-	-	41,124
Transfers in	15,298	-	-	15,298
Transfers out	<u>(466,000)</u>	<u>-</u>	<u>(15,298)</u>	<u>(481,298)</u>
Total other financing sources (uses)	<u>(409,578)</u>	<u>-</u>	<u>(15,298)</u>	<u>(424,876)</u>
Net increase (decrease) in fund balances	(377,623)	(381,375)	6,571	(752,427)
Fund balances - beginning	<u>2,769,437</u>	<u>6,148,161</u>	<u>877,998</u>	<u>9,795,596</u>
Fund balances - ending	<u>\$ 2,391,814</u>	<u>\$ 5,766,786</u>	<u>\$ 884,569</u>	<u>\$ 9,043,169</u>

See accompanying notes.

Town of Springfield, Vermont
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (752,427)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays, net of disposals and adjustments (\$2,317,708) exceeds depreciation expense (\$1,528,631) in the period.	790,077
Property taxes and grant revenues are recognized on the accrual basis in the statement of net position, not the modified accrual basis. The unavailable property taxes increased \$60,772. The unavailable grant revenue increased \$30,922.	91,694
Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	190,000
Proceeds of long-term debt issued is recorded as revenue in the governmental funds and as a long-term liability in the statement of net position.	(41,124)
Pension expense for the defined benefit plan (VMERS) is recognized in the governmental funds based on current year employer matching contributions (\$319,774). Pension expense in the government-wide statements is based on the net change in the net pension liability (\$432,608).	(112,834)
In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences used exceeded the amounts earned by \$158,259.	158,259
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Interest reported in the statement of activities decreased because accrued interest on bonds and notes payable decreased.	<u>701</u>

TOTAL CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 324,346

See accompanying notes.

Town of Springfield, Vermont
Statement of Net Position
Proprietary Funds
June 30, 2016

	<u>Water and Sewer Fund</u>	<u>Enterprise Funds Nonmajor Enterprise Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 305,819	\$ 2,943	\$ 308,762
Accounts receivable, net	977,788	-	977,788
Due from other funds	758,740	-	758,740
Inventories	136,625	-	136,625
Total current assets	<u>2,178,972</u>	<u>2,943</u>	<u>2,181,915</u>
Non-current assets:			
Capital Assets:			
Land and improvements	281,434	-	281,434
Utility system	26,240,772	-	26,240,772
Construction in progress	230,765	-	230,765
Buildings	15,470,187	-	15,470,187
Equipment and furniture	1,846,525	-	1,846,525
	44,069,683	-	44,069,683
Less: Accumulated depreciation	<u>(17,936,166)</u>	<u>-</u>	<u>(17,936,166)</u>
Total non-current assets	<u>26,133,517</u>	<u>-</u>	<u>26,133,517</u>
Total assets	<u>28,312,489</u>	<u>2,943</u>	<u>28,315,432</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>132,118</u>	<u>-</u>	<u>132,118</u>
LIABILITIES			
Current liabilities:			
Accounts payable	81,075	-	81,075
Accrued payroll	26,686	-	26,686
Accrued interest payable	50,652	-	50,652
Due to other funds	2,407,640	-	2,407,640
Current portion of long-term obligations	660,662	-	660,662
Total current liabilities	<u>3,226,715</u>	<u>-</u>	<u>3,226,715</u>
Non-current liabilities:			
Accrued compensated absences	163,591	-	163,591
Net pension liability	210,468	-	210,468
Long-term obligations, less current portion	14,009,208	-	14,009,208
Total non-current liabilities	<u>14,383,267</u>	<u>-</u>	<u>14,383,267</u>
Total liabilities	<u>17,609,982</u>	<u>-</u>	<u>17,609,982</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>7,634</u>	<u>-</u>	<u>7,634</u>
NET POSITION			
Net investment in capital assets	11,480,772	-	11,480,772
Restricted for capital projects	165,500	-	165,500
Unrestricted	<u>(819,281)</u>	<u>2,943</u>	<u>(816,338)</u>
Total net position	<u>\$ 10,826,991</u>	<u>\$ 2,943</u>	<u>\$ 10,829,934</u>

See accompanying notes.

Town of Springfield, Vermont
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>
REVENUES			
Water sales	\$ 1,137,880	\$ -	\$ 1,137,880
Sewer sales	<u>1,238,455</u>	<u>-</u>	<u>1,238,455</u>
Total operating revenues	<u>2,376,335</u>	<u>-</u>	<u>2,376,335</u>
OPERATING EXPENSES			
Wages	776,679	-	776,679
Administrative expenses	52,415	-	52,415
Maintenance expenses	259,692	-	259,692
Wastewater expenses	479,388	-	479,388
Dewatering and composting	75,577	-	75,577
Repairs and maintenance	29,861	-	29,861
Fixed charges	306,473	-	306,473
Depreciation	834,301	-	834,301
Pension expense	<u>57,245</u>	<u>-</u>	<u>57,245</u>
Total operating expenses	<u>2,871,631</u>	<u>-</u>	<u>2,871,631</u>
Operating loss	<u>(495,296)</u>	<u>-</u>	<u>(495,296)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	26	-	26
Access fee income	7,844	-	7,844
Interest expense	<u>(326,264)</u>	<u>-</u>	<u>(326,264)</u>
Total non-operating revenues (expenses)	<u>(295,909)</u>	<u>-</u>	<u>(295,909)</u>
Loss before transfers	(791,205)	-	(791,205)
Transfers in	<u>466,000</u>	<u>-</u>	<u>466,000</u>
Change in net position	(325,205)	-	(325,205)
Total net position - Beginning	<u>11,152,196</u>	<u>2,943</u>	<u>11,155,139</u>
Total net position - Ending	<u>\$ 10,826,991</u>	<u>\$ 2,943</u>	<u>\$ 10,829,934</u>

See accompanying notes.

Town of Springfield, Vermont
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Water and Sewer Fund</u>	<u>Enterprise Funds Nonmajor Enterprise Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 2,303,781	\$ -	\$ 2,303,781
Payments to suppliers for goods and services	(865,682)	-	(865,682)
Payments for wages and benefits	<u>(1,073,370)</u>	<u>-</u>	<u>(1,073,370)</u>
Net cash provided by operating activities	<u>364,729</u>	<u>-</u>	<u>364,729</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Change in due from/due to other funds	(176,494)	-	(176,494)
Transfers from other funds	<u>466,000</u>	<u>-</u>	<u>466,000</u>
Net cash provided by noncapital financing activities	<u>289,506</u>	<u>-</u>	<u>289,506</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property, plant and equipment	(1,049,202)	-	(1,049,202)
Proceeds of long-term debt issued	1,097,709	-	1,097,709
Principal paid	(657,345)	-	(657,345)
Interest paid	<u>(330,615)</u>	<u>-</u>	<u>(330,615)</u>
Net cash used by capital and related financing activities	<u>(939,453)</u>	<u>-</u>	<u>(939,453)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>26</u>	<u>-</u>	<u>26</u>
Net cash provided by investing activities	<u>26</u>	<u>-</u>	<u>26</u>
Net decrease in cash and cash equivalents	(285,192)	-	(285,192)
Cash and cash equivalents at beginning of year	<u>591,011</u>	<u>2,943</u>	<u>593,954</u>
Cash and cash equivalents at end of year	<u>\$ 305,819</u>	<u>\$ 2,943</u>	<u>\$ 308,762</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS USED BY OPERATING ACTIVITIES:			
Operating loss	\$ (495,296)	\$ -	\$ (495,296)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	834,301	-	834,301
Provision for losses on receivables	35,221	-	35,221
Proportionate share of pension plan expense	59,438	-	59,438
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(2,193)	-	(2,193)
Deferred pension payments	(40,131)	-	(40,131)
Access fees received from customers	7,844	-	7,844
Change in assets and liabilities:			
Increase in receivables	(115,619)	-	(115,619)
Decrease in inventory	36,186	-	36,186
Decrease in accounts payable	(4,935)	-	(4,935)
Increase in accrued liabilities	<u>49,913</u>	<u>-</u>	<u>49,913</u>
Net cash provided by operating activities	<u>\$ 364,729</u>	<u>\$ -</u>	<u>\$ 364,729</u>

See accompanying notes.

**Town of Springfield, Vermont
Statement of Fiduciary Net Position**

June 30, 2016

	<u>Private Purpose Trust</u>
ASSETS	
Cash and cash equivalents	\$ 91,233
Investments:	
U.S. Government obligations	222,491
Municipal bonds	54,824
Corporate bonds	200,678
Corporate stocks	23,435
Other investments	<u>1,081,678</u>
Total investments	<u>1,583,106</u>
Total assets	<u>1,674,339</u>
LIABILITIES	
Due to other funds	<u>887,043</u>
Total liabilities	<u>887,043</u>
NET POSITION	
Held in trust for other purposes	<u><u>\$ 787,296</u></u>

See accompanying notes.

Town of Springfield, Vermont
Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016

	<u>Private Purpose</u> <u>Trust</u>
ADDITIONS	
Investment earnings:	
Decrease in fair value of investments, net of realized gains and losses	\$ (24,232)
Interest and dividends	<u>35,515</u>
Total investment earnings	11,283
Less investment activity expenses	<u>(4,889)</u>
Net investment earnings	<u>6,394</u>
Total additions	<u>6,394</u>
DEDUCTIONS	
Program disbursements	<u>30,109</u>
Total deductions	<u>30,109</u>
Change in net position	(23,715)
Net position - beginning	<u>811,011</u>
Net position - ending	<u>\$ 787,296</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Town of Springfield is an incorporated municipality operating under "The Comprehensive Revision of the Charter of the Town of Springfield, Vermont" approved by the voters May 21, 1985. The Town operates under a Board of Selectmen-Manager form of government. The Town's major operations include police and fire protection, ambulance service, public works, library, parks and recreation, community development, and general administrative services. In addition, the Town owns and operates a water and sewer system.

The Town of Springfield, Vermont's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant policies established in GAAP and used by the Town are discussed below.

A. Reporting entity

The reporting entity consists of the funds of the Town of Springfield and other organizations for which the Town's Select Board has the ability to exercise oversight responsibility, or for which there is a fiscal accountability or dependency including a financial benefit or burden relationship.

An additional criterion used to evaluate potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens and whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

The Springfield Trustees of Public Funds are included in the reporting entity. The Trustees are responsible for the administration and management of public trust funds. These funds are required to be kept separate and apart from the other Town funds and are reported as fiduciary funds.

B. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, ambulance service, public works, library, parks and recreation, community development, and general administrative services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities. Fiduciary funds are excluded from government-wide statements.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (police, fire, public works, etc.). The functions are also supported

Note 1. Summary of Significant Accounting Policies (Continued)

by general government revenues (property taxes, certain intergovernmental revenues, fines, permit and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which either have debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The following fund types are used by the Town:

1. Governmental funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town reports these major governmental funds and fund types.

- General fund is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds. It is always a major fund.
- Special revenue fund (a major fund) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Permanent fund (a nonmajor fund) is used to account for financial resources to be used for the support of the Town's library and cemeteries.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

2. Proprietary funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The applicable generally accepted accounting principles are those similar to businesses in the private sector. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Included in this fund type are the water and sewer fund and the solid waste utility fund.

3. Fiduciary funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address the general activities or obligations of the government, these funds are not incorporated into the government-wide statements. The Fiduciary funds consist of assets held by the Springfield Trustees of Public Funds as private purpose trust funds.

D. Basis of accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

1. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund and fiduciary fund financial statements are presented on the accrual basis of accounting. Nonexchange revenues, including intergovernmental revenues and grants are reported when all eligibility requirements have been met. Fees, charges, and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days

Note 1. Summary of Significant Accounting Policies (Continued)

after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, if any, which are recognized when paid.

E. Budgets and budgetary accounting

The Town adopts an annual budget for the general fund. The Town does not legally adopt a budget for the special revenue fund.

The Town follows these procedures in establishing the general fund budgetary data reflected in the required supplementary information:

1. Prior to Town Meeting Day, the Town Manager submits to the Board of Selectmen, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. At the Town Meeting, the first Tuesday in March, the budget is legally enacted by vote of the taxpayers.
4. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Selectmen. The budget is shown as originally passed.
5. Budgetary integration - Formal budgetary integration is used as a management control device during the year for the general fund.
6. Basis of accounting for budgets - Budgets are adopted on the budgetary basis of accounting. This differs from U.S. generally accepted accounting principles (GAAP) in several respects. A summary of the major adjustments necessary to convert from budgetary basis to the GAAP basis for the general fund follows the budgetary comparison schedule.

In addition to the adjustments in that summary, certain reclassifications have been made to show the original budget format.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to set aside that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. Encumbrances outstanding at year-end are reported as assignments of fund balances since they do not constitute expenditures or liabilities. Appropriations lapse at year end. Outstanding encumbrances at June 30, 2016 totaled \$820,995.

Note 1. Summary of Significant Accounting Policies (Continued)

F. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by remaining balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position -- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position -- All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - Amounts that are not in a spendable form (such as prepaid expenses or inventory) or are legally or contractually required to remain intact (such as the principal of an endowment fund).

The spendable portion of the fund balances are categorized based on a hierarchy of spending constraints.

- a. Restricted fund balance - Amounts constrained to specific purposes by external parties (such as grantors, bondholders, and higher levels of government), constitutional provisions, or enabling legislation.
- b. Committed fund balance – Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- c. Assigned fund balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- d. Unassigned fund balance - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Use of Restricted Resources

When an expense is incurred that can be paid from either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then to unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications – committed then assigned fund balances before using unassigned fund balances.

Note 1. Summary of Significant Accounting Policies (Continued)

G. Cash and cash equivalents

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments (including restricted position) with an original maturity of three months or less when purchased to be cash equivalents.

H. Investments

Investments, including those held by fiduciary funds, are stated at fair value (quoted market price or the best available estimate).

I. Inventory

Inventory is valued at weighted average cost in the proprietary fund. It consists of piping and parts for the Town's water and sewer systems. Other funds use the purchase method of accounting for inventory which records inventory as an expenditure when purchased rather than when used.

J. Accrued compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) of accumulated vacation, and the accumulated sick leave estimated to be paid upon retirement, are not reported and represent reconciling items between the fund and government-wide presentations.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with generally accepted governmental accounting standards, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

K. Capital assets

Capital assets are reported at historical cost or estimated historical cost. The capitalization threshold for infrastructure projects is \$25,000. The capitalization threshold for other capital assets is \$5,000. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance, are expensed as incurred. The Town's policy is to capitalize interest costs on related debt incurred during the construction of fixed assets. No interest was capitalized during the year ended June 30, 2016.

Governmental activities:

GASB Statement No. 34 required the Town to report and to depreciate new infrastructure assets beginning July 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required for the Town of Springfield.

Note 1. Summary of Significant Accounting Policies (Continued)

Depreciation expense on governmental activities assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 - 50 years
Improvements	20 - 40 years
Machinery and equipment	7 - 20 years
Police vehicles and ambulances	3 - 5 years
Infrastructure – Roads & Bridges	10 - 20 years
Land Improvements	20 - 50 years

Proprietary Fund:

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives used are as follows:

	Years
Wellfields, reservoirs, mains and pipe	67
Treatment plants and pump station	40
Meters and hydrants	10 - 67
Chlorinating and pumping facilities	50
Equipment	5 - 20

L. Interfund activity

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions are treated as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All interfund balances, which are short-term in nature, result from the time lag between the dates that the reimbursable expenditures occur and payments between funds are made.

M. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until the applicable period. Deferred outflows consist of the Town's contributions subsequent to the measurement date of the net pension liability; and its proportionate shares of 1) the differences between projected and actual earnings, 2) the differences between projected and actual experience, and 3) the changes in actuarial assumptions. *Deferred inflows of resources* represent an acquisition of fund equity or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period. This can occur when the Town receives funds before it has a legal claim to them or when funds received do not meet the criteria for recognition in the current period. Deferred inflows also include the change in the Town's proportionate share of pension contributions.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Pension Plan

The Town participates in the Vermont Municipal Employees Retirement System (VMERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the VMERS and additions to/deductions from VMERS' fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. VMERS does not issue a stand-alone financial report, but instead is included as part of the State of Vermont's Comprehensive Annual Financial report (CAFR).

O. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

P. Implementation of New Accounting Principles

Management will review the following GASB Statements, which are effective in future years, for possible implementation.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 77, Tax Abatement Disclosures

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans

GASB Statement No. 80, Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14

GASB Statement No. 81, Irrevocable Split-Interest Agreements

GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73

Note 2. Cash and Cash Equivalents

Cash belonging to the Town is placed in the custody of the Town Treasurer who is appointed. The Town does not have a formal deposit risk policy. The Town periodically reviews the relative strength of the financial institutions with which it has a deposit relationship. Based upon ratings provided by independent research groups, management determines when collateral is required to secure Town deposit accounts. Included in the Town's cash balances are cash management mutual fund holdings of \$191,659.

Note 2. Cash and Cash Equivalents (Continued)

There are three categories of credit risk that apply to the Town's cash balances:

1. Uncollateralized.
2. Collateralized with securities held by the pledging financial institutions.
3. Collateralized with securities held by the pledging institution's trust department or agent but not in the depositor-government's name.

The Town of Springfield's cash balances are categorized below to give an indication of the level of risk assumed by the Town at year-end.

	Bank Balances
Uncollateralized	\$ 818,017
Collateralized with securities held by the pledging financial institution	249,936
Collateralized with securities held by the pledging financial institution's Trust department but not in the Town's name	<u>929,968</u>
Total	<u>\$ 1,997,921</u>

Due to higher cash flows during certain times of the year, the Town's uninsured and uncollateralized deposits in banks were substantially higher than at year-end. Management considers this a normal business risk.

Note 3. Investments

Special Revenue Fund – The Town's Investment Committee, which has oversight responsibility for the investment of \$3,000,000 received pursuant to an agreement with the State of Vermont concerning the placement of a correctional facility in the Town, has appointed fund advisors with discretion for the management of the investments in accordance with the objectives of the Investment Committee. The investment policy regarding the allocation of the invested funds is 65% in equities, 30% in fixed income, and 5% in liquid assets. Fixed income investments in this fund totaled \$590,841 at June 30, 2016.

Fiduciary Fund – The Springfield Trustees of Public Funds are charged with maximizing the return on all invested funds while maintaining their security. By state statute, the Trustees may invest in any security issued, insured, or guaranteed by the United States; highly rated bonds; repurchase agreements and debt securities of any federally insured financial institution; shares of a registered investment company, or a unit investment trust, if such mutual investment fund has been in operation for at least ten years and has net assets of at least \$500,000,000; or deposits in federally insured financial institutions. The Trustees have set an approximate investment objective of 40% to 60% in stock mutual funds, with a maximum limit of 15% of the portfolio for any one investment. At June 30, 2016, one investment in this portfolio exceeded the 15% maximum investment limit by \$50,405.

Fair Value of Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The Town's investments reported at fair value are classified according to the following hierarchy:

Note 3. Investments (Continued)

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs.

The categorization of investments within the hierarchy is based on the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Fair Value Measurements Using

Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
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Investments by Fair Value Level

Debt Securities

Bond mutual funds	\$ 268,438	\$ -	\$ -
US Government agency & municipal bonds	-	647,385	-
Corporate Bonds	-	421,449	-
Total Debt Securities	268,438	1,068,834	-

Equity Securities

Common & preferred stocks	885,117	-	-
Equity mutual funds	1,977,531	-	-
Total Equity Securities	2,862,648	-	-

Total Investments by Fair Value Level	\$ 3,131,086	\$ 1,068,834	\$ -
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Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2016, \$422,715 of the Town’s investments in corporate bonds were rated AAA to BBB by Standard & Poor’s. The holdings also included an investment in an unrated bond mutual fund with a market value of \$268,438.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Town’s investments in securities are held by the counterparty’s trust department in the Town’s name.

The Town's combined investments in the Special Revenue Fund and the Fiduciary Fund carried at fair value as of June 30, 2016 are:

Note 3. Investments (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment maturities in years</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Agency bonds	\$ 592,561	\$ 147,079	\$ 320,583	\$ 124,899
Corporate bonds	421,449	25,443	166,569	229,437
Municipal bonds	54,824	-	54,824	-
Bond mutual funds	<u>268,438</u>	<u>268,438</u>	<u>-</u>	<u>-</u>
Total fixed income	1,337,272	<u>\$ 440,960</u>	<u>\$ 541,976</u>	<u>\$ 354,336</u>
Common stocks	885,117			
Equity mutual funds	<u>1,977,531</u>			
Total investments	<u>\$ 4,199,920</u>			

Note 4. Receivables and Revenues

Property taxes attach as an enforceable lien on property as of July 1. Taxes were levied on June 30 and were payable in installments on August 17, November 16, February 16, and May 16. The Town bills and collects its own property taxes and also bills and collects all education property taxes on behalf of the State of Vermont. Collections of school taxes and their remittance to the Town School District are accounted for in the General Fund. The State sets both the state and local school tax rates. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

The combined tax rate for various general governmental services was as follows (per \$100 assessed value):

Town assessment	\$	1.3523
School assessment- Homestead		1.5495
School assessment- Nonresidential		1.3972
Voted contracts		0.0060
Special appropriations		0.0435
Windsor County tax		0.0073
Abatements and charge-offs		0.0040
2015-16 total assessment Town and Homestead School Tax	\$	2.9626
2015-16 total assessment Town and Nonresidential School Tax	\$	2.8103

The Town Water and Sewer Department issues bills on a cyclical basis monthly which results in each customer receiving a bill semi-annually. This billing method does not capture all amounts receivable by the Town at the end of each fiscal year. The estimated unbilled water and sewer fund utility service receivables are recorded at year end. Capital contributions are recorded in proprietary funds that have received capital grants or contributions from grants, developers, customers or other funds.

The Solid Waste Utility Fund is inactive and does no billings. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized at the time of receipt or earlier if measurable and available.

Note 4. Receivables and Revenues (Continued)

Intergovernmental grants which are restricted for certain purposes are recognized at the same time the related expenditures are recognized. Any excess of revenues or expenditures as of the fiscal year end is recognized as deferred revenue or accounts receivable, respectively.

Receivables consisted of the following as of June 30, 2016:

	<u>Gross</u> <u>Receivables</u>	<u>Allowance for</u> <u>Uncollectibles</u>	<u>Net Receivables</u>
General fund:			
Delinquent property taxes	\$ 540,509	\$ -	\$ 540,509
Accounts receivable	99,213	45,000	54,213
Interest and collector's fee receivable	82,882	-	82,882
Due from other governments	958	-	958
Special revenue:			
Interest receivable	196,180	194,443	1,737
Due from other governments	73,403	-	73,403
Long-term receivable - current	69,134	-	69,134
Long-term receivable - noncurrent	1,790,103	631,278	1,158,825
Water and sewer fund:			
Services billed	424,628	124,840	299,788
Estimated unbilled services	667,027	-	667,027
Other accounts receivable	10,973	-	10,973
	<u>\$ 3,955,010</u>	<u>\$ 995,561</u>	<u>\$ 2,959,449</u>

Note 5. Vermont Community Development Grants - Long-Term Receivables

The Town is a participant in the Vermont Community Development Grant Program which provides funding for acquisition and rehabilitation projects within the community. These funds have been awarded to the Town and then loaned to various local not-for-profit and business entities. Repayment of these loans established a revolving loan fund. The loans generally provide for interest ranging from 0% to 7.5% and are payable over varying terms, as follows:

	<u>7/1/15</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/16</u>
Mountain View, as amended in October 2012: 0% interest, monthly payments of \$3,000 beginning February 2014, principal and any previously capitalized interest payable on December 31, 2030; secured by land and buildings.	\$ 875,042	\$ -	\$ 36,000	\$ 839,042

Note 5. Vermont Community Development Grants - Long-Term Receivables (Continued)

	<u>7/1/15</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/16</u>
South View, \$298,091 original borrowing in 1994; notes re-written 2005: \$146,825 has monthly payments of \$688 including interest at 2%, final payment due 2027; \$148,091 interest free until 2022, then loan bears interest at 6% and is repaid over the next twenty years; secured by land and buildings.	238,530	-	6,512	232,018
Springfield Regional Development Corporation (Robert S. Jones Industrial Complex), 3% interest, payment of principal and amortized over eighteen years beginning March, 1997. Secured by second mortgage on real estate.	3,412	-	3,412	-
Springfield Housing Associates (Westview Project), \$400,000 installment note, as amended October 2012: 0% interest, monthly payments of \$1,647, balloon payment due June 2016. Secured by land and buildings.	322,392	-	322,219	173
Windham & Windsor Housing Trust, 1% interest, with no monthly interest payments for the first 8 years, monthly interest payments of \$137 in years 9 through 20, entire balance and interest due on June 9, 2018 unless certain conditions are met, at which point the entire loan will be forgiven. Secured by land and building.	98,647	-	-	98,647
Springfield Fence Company, 2% interest, payment deferred five years to November, 2000, no accrued interest, amortized 20 years beginning December, 2000. Secured by land and buildings.	71,621	-	12,646	58,975
Wall Street Housing, 1% interest, 180 installments of \$269 per month beginning December 5, 2004, balloon payment 2019, secured by mortgage on real estate.	13,956	-	3,106	10,850
Vermont Machine Tool Corp., interest at 4%, accumulated interest added to principal, monthly payments of \$4,527 to begin November 2003. Select Board approved one year moratorium through July 2009 and an additional one month moratorium through August 2009. All amounts due October 2018. Secured by subordinate security interest in borrower's real and personal property.	526,458	-	-	526,458

Note 5. Vermont Community Development Grants - Long-Term Receivables (Continued)

	<u>7/1/15</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/16</u>
Alva Waste Services, \$50,000 loan, interest at 4%, monthly payments of \$370 beginning January 2011, balance of principal and interest due January 2021. Security interest in business personal property.	38,001	-	2,972	35,029
JBJ Corporation, \$20,000 loan, interest at 4%, monthly payments of \$202, final payment due December 2015. Secured by mortgage.	1,596	-	1,596	-
Vermont Beer Shapers Ltd., \$45,000 loan, monthly payments of \$500 including interest at 3%. Final payment due June 2020. Secured by inventory and furnishings.	45,000	-	4,316	40,684
Heritage Downtown, \$20,000 loan, monthly payments of \$250 including interest at 3%. Final payment due March 2020. Secured by inventory and furnishings.	19,399	-	2,038	17,361
	<u>\$ 2,254,054</u>	<u>\$ -</u>	<u>\$ 394,817</u>	<u>\$ 1,859,237</u>

Note 6. Changes in Fixed Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type activities:				
Land	\$ 281,434	\$ -	\$ -	\$ 281,434
Wellfields, reservoirs, mains, and pipes	25,080,859	1,159,913	-	26,240,772
Treatment plants and pump stations	15,470,187	-	-	15,470,187
Meters and hydrants	188,173	-	-	188,173
Chlorination and pumping facilities	765,354	5,013	-	770,367
Equipment	863,337	77,072	(52,424)	887,985
Construction in progress	451,978	(221,213)	-	230,765
	43,101,322	1,020,785	(52,424)	44,069,683
Less accumulated depreciation	(17,154,288)	(834,302)	52,424	(17,936,166)
Business-type activities capital assets, net	<u>\$ 25,947,034</u>	<u>\$ 186,483</u>	<u>\$ -</u>	<u>\$ 26,133,517</u>

Depreciation expense of \$834,300, in the Business-type activities, was charged to the Water and Sewer Fund.

Note 6. Changes in Fixed Assets (Continued)

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 466,189	\$ -	\$ -	\$ 466,189
	<u>466,189</u>	<u>-</u>	<u>-</u>	<u>466,189</u>
Other capital assets being depreciated:				
Infrastructure	16,820,606	1,278,129	-	18,098,735
Machinery and equipment	6,126,874	996,017	(271,710)	6,851,181
Buildings and improvements	4,375,854	44,562	-	4,420,416
Total other capital assets at historical cost	<u>27,323,334</u>	<u>2,318,708</u>	<u>(271,710)</u>	<u>29,370,332</u>
Less accumulated depreciation for:				
Infrastructure	(4,816,138)	(870,376)	-	(5,686,514)
Machinery and equipment	(3,705,553)	(534,009)	271,710	(3,967,852)
Buildings and improvements	(1,693,381)	(124,246)	-	(1,817,627)
Total accumulated depreciation	<u>(10,215,072)</u>	<u>(1,528,631)</u>	<u>271,710</u>	<u>(11,471,993)</u>
Other capital assets being depreciated, net	<u>17,108,262</u>	<u>790,077</u>	<u>-</u>	<u>17,898,339</u>
Governmental activities capital assets, net	<u>\$ 17,574,451</u>	<u>\$ 790,077</u>	<u>\$ -</u>	<u>\$ 18,364,528</u>

Depreciation expense was charged to governmental activities functions as follows:

Governmental activities:	
General government	\$ 7,547
Police	188,116
Fire and ambulance	151,925
Public works	1,140,065
Parks and recreation	28,348
Library	12,630
	<u>\$ 1,528,631</u>

Note 7. Deferred Outflows/Inflows of Resources and Unearned Revenues

Deferred outflows of resources - Pension

The Town reports deferred outflows of resources on its statements of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. Deferred outflows consist of the Town's contributions subsequent to the measurement date of the net pension liability; and its proportionate shares of 1) the differences between projected and actual earnings, 2) the differences between projected and actual experience, and 3) the changes in actuarial assumptions.

Deferred inflows of resources

The Town reports deferred inflows of resources as a representation of an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period.

Taxes - Unavailable revenue in the governmental funds consists of taxes and fees (\$412,022) and grant revenues (\$30,922) not collected within sixty (60) days after year-end. In the governmental funds and governmental activities, revenues collected in advance (\$145,266) are resources received prior to the time period to which it applies, and includes grants received in advance and taxes paid prior to the tax lien date.

Pension – Deferred inflows consist of the change in the Town's proportionate share of pension contributions.

Unearned revenues

The Town reports unearned revenue on its governmental fund balance sheet and government-wide statement of net position (\$29,738). This arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities and</u> <u>Proprietary</u> <u>Fund</u>	<u>Governmental</u> <u>Funds</u>
Liabilities			
Unearned revenue	\$ 29,738	\$ -	\$ 29,738
Deferred Outflows of Resources - Pension	\$ 1,014,923	\$ 132,118	\$ -
Deferred Inflows of Resources			
Revenues collected in advance	\$ 145,266	\$ -	\$ 145,266
Unavailable revenue - Taxes and fees	-	-	412,022
Unavailable revenue -Grants	-	-	30,922
Pension	57,691	7,634	-
Total deferred inflows of resources	<u>\$ 202,957</u>	<u>\$ 7,634</u>	<u>\$ 588,210</u>

Note 8. Long-Term Debt

Governmental Type Activities:

	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Final</u> <u>Payment</u>	<u>Town Debt</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Town Debt</u> <u>June 30, 2016</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
EPA loan	0.00%	--	\$ 237,411	\$ 41,124	\$ 35,000	\$ 243,535	\$ 35,000
Vermont Municipal Bond Bank:							
2001-S1	2.8-4.98%	12/1/2016	80,000	-	40,000	40,000	40,000
2008-1, Refunded by 2015 - S5	4.21%	12/1/2028	<u>1,560,000</u>	<u>-</u>	<u>115,000</u>	<u>1,445,000</u>	<u>115,000</u>
Total general obligation debt			1,877,411	41,124	190,000	1,728,535	190,000
Net pension liability			205,401	1,440,788	-	1,646,189	-
Accrued compensated absences			<u>415,791</u>	<u>-</u>	<u>158,259</u>	<u>257,532</u>	<u>-</u>
			<u>\$ 2,498,603</u>	<u>\$ 1,481,912</u>	<u>\$ 348,259</u>	<u>\$ 3,632,256</u>	<u>\$ 190,000</u>

The Vermont Municipal Bond Bank issues refunding bonds to reduce the debt service payments of its borrowers. During the fiscal year 2015-16 it issued 2015 Series 5 which included a refunding of the Town's renovation bond. As a result of the refunding, the Town reduced its total debt service payments from November 2016 through November 2028 by \$72,705 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$63,335.

Governmental activities' general obligation debt of the Town matures, including interest, as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Savings</u> <u>Allocation</u>	<u>Total</u>
2017	\$ 190,000	\$ 60,897	\$ (8,742)	\$ 242,155
2018	150,000	55,496	(1,612)	203,884
2019	150,000	50,948	(1,609)	199,339
2020	145,000	46,382	(7,478)	183,904
2021	145,000	41,806	(8,077)	178,729
2022-2026	618,535	137,390	(38,296)	717,629
2027-2030	330,000	22,924	(13,925)	338,999
Thereafter	-	-	-	-
	<u>\$ 1,728,535</u>	<u>\$ 415,843</u>	<u>\$ (79,739)</u>	<u>\$ 2,064,639</u>

Interest expense on this debt amounted to \$75,357 for the year ended June 30, 2016.

Note 8. Long-Term Debt (Continued)

Long-term debt of the water and sewer department with scheduled payments, including interest, matures as follows:

<u>Source</u>	<u>Interest Rate</u>	<u>Date of Final Payment</u>	<u>Town Debt July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Town Debt June 30, 2016</u>	<u>Amount Due Within One Year</u>
VT Municipal Bond							
Bank							
RF1-019	0.000%	10/1/2022	\$ 366,254	\$ -	\$ 45,782	\$ 320,472	\$ 45,782
RF3-034	3.000%	10/1/2021	136,380	-	17,798	118,582	18,333
RF1-055	0.000%	9/1/2024	519,273	-	51,926	467,347	51,927
RF1-089	0.000%	5/1/2029	208,805	-	14,915	193,890	14,915
RF3-060	0.060%	4/1/2031	1,195,586	-	81,073	1,114,513	81,558
RF1-130	0.000%	4/1/2031	45,528	-	2,678	42,850	2,678
RF3-240	3.000%	12/1/2031	3,270,173	-	96,450	3,173,723	98,089
AR3-028	0.000%	1/1/2031	587,474	-	36,718	550,756	36,717
AR1-002	0.000%	4/1/2031	552,649	-	33,677	518,972	33,677
2014 Series 3	3.402%	11/15/2034	2,805,000	-	145,000	2,660,000	140,000
RF3-172	0.000%	11/1/2046	-	291,770	-	291,770	-
RF3-312	0.000%	11/1/2046	-	805,939	-	805,939	-
USDA-Rural Development							
USDA-92-04	4.500%	12/1/2033	1,356,763	-	48,463	1,308,300	50,668
USDA-92-14	4.125%	9/28/2035	351,371	-	11,229	340,142	11,697
USDA-92-10	4.125%	9/28/2035	110,209	-	3,522	106,687	3,669
USDA-92-12	4.125%	9/28/2035	380,136	-	12,147	367,989	12,654
USDA-91-06	4.000%	9/27/2040	1,828,902	-	42,343	1,786,559	44,054
USDA-92-15	4.500%	12/10/2037	515,003	-	13,624	501,379	14,244
			<u>14,229,506</u>	<u>1,097,709</u>	<u>657,345</u>	<u>14,669,870</u>	<u>660,662</u>
Net pension liability			25,448	185,020	-	210,468	-
Accrued compensated absences			120,417	43,174	-	163,591	-
			<u>\$ 14,375,371</u>	<u>\$ 1,325,903</u>	<u>\$ 657,345</u>	<u>\$ 15,043,929</u>	<u>\$ 660,662</u>

Although recorded as obligations of the water and sewer fund, in the event of default, the Town remains ultimately liable for payment of debt.

Note 8. Long-Term Debt (Continued)

Long-term debt of the water and sewer department with scheduled payments, including interest, matures as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 660,662	\$ 330,036	\$ 990,698
2018	707,109	319,970	1,027,079
2019	715,951	309,086	1,025,037
2020	725,111	297,360	1,022,471
2021	734,605	284,775	1,019,380
2022-2026	3,547,133	1,213,540	4,760,673
2027-2031	3,312,525	817,133	4,129,658
2032-2036	2,498,945	371,026	2,869,971
2037-2041	1,419,206	102,476	1,521,682
2042-2046	337,643	3,989	341,632
2047	10,980	254	11,234
Thereafter	-	-	-
	<u>\$ 14,669,870</u>	<u>\$ 4,049,645</u>	<u>\$ 18,719,515</u>

Interest expense on long-term debt of the business-type activities amounted to \$326,264 for the year ended June 30, 2016.

Note 9. Interfund Accounts and Activity

A summary of interfund due from/due to accounts is as follows:

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 2,050,526	\$ 465,700
Special revenue fund	348,437	281,889
Water and sewer fund	758,740	2,407,640
Permanent Fund	887,043	2,474
Fiduciary fund	-	887,043
	<u>\$ 4,044,746</u>	<u>\$ 4,044,746</u>

During the fiscal year, the following transfers were made between the Town's funds.

- \$466,000 from the General Fund to the Water and Sewer fund for hydrants, storm drains, and oversight of the Superfund site.
- \$9,859 and \$5,439 from the Permanent Fund to the General Fund for the support of the Town cemeteries and the Town Library, respectively.

Note 10. Fund Balance Constraints

The constraints on fund balance as listed in the aggregate in the Statement of Revenues, Expenditures and Changes in Fund Balance are detailed according to balance classification and fund.

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Prepays	\$ 68,570	\$ -	\$ -	\$ 68,570
Cemetery Fund principal	-	-	544,280	544,280
Total - Nonspendable	<u>68,570</u>	<u>-</u>	<u>544,280</u>	<u>612,850</u>
Restricted:				
Weathersfield Dam	100,000	-	-	100,000
Housing revolving loan fund	-	1,529,675	-	1,529,675
Economic development loan fund	-	531,853	-	531,853
Library	-	-	309,908	309,908
Cemeteries	-	-	30,381	30,381
Unsafe building fund	86,241	-	-	86,241
Reappraisal	254,241	-	-	254,241
Civic improvements	-	2,754,654	-	2,754,654
Economic development	-	830,364	-	830,364
Other purposes	-	109,157	-	109,157
Total - Restricted	<u>440,482</u>	<u>5,755,703</u>	<u>340,289</u>	<u>6,536,474</u>
Committed:				
Ambulance equipment fund	4,700	-	-	4,700
Fire equipment fund	260,182	-	-	260,182
Highway equipment fund	21,054	-	-	21,054
Parks and recreation equipment fund	30,124	-	-	30,124
Total - Committed	<u>316,060</u>	<u>-</u>	<u>-</u>	<u>316,060</u>
Assigned:				
Weathersfield Dam- interest	47,610	-	-	47,610
Records restoration	83,485	-	-	83,485
Other purposes	-	11,083	-	11,083
Future expenditures	876,783	-	-	876,783
Total - Assigned	<u>1,007,878</u>	<u>11,083</u>	<u>-</u>	<u>1,018,961</u>
Unassigned	<u>558,824</u>	<u>-</u>	<u>-</u>	<u>558,824</u>
Total Fund Balances	<u>\$ 2,391,814</u>	<u>\$ 5,766,786</u>	<u>\$ 884,569</u>	<u>\$ 9,043,169</u>

Note 11. Employee Retirement Plan

The Town participates in a cost-sharing, defined-benefit, multi-employer retirement system, the Vermont Municipal Employees Retirement System (VMERS).

Vermont Municipal Employee Retirement System

Plan Description

The Vermont Municipal Employees’ Retirement System is a cost-sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives—one elected by governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Summary of System Provisions

There are four levels of contributions and benefits available under the system, Group A, Group B, Group C, and Group D. The Town’s employees are covered under all four groups. The following is a summary of system provisions.

Creditable Service	Service as member plus purchased service.
Average Final Compensation (AFC)	Groups A: Average annual compensation during highest 5 consecutive years. Groups B and C: Average annual compensation during highest 3 consecutive years. Groups D: Average annual compensation during highest 2 consecutive years.

Note 11. Employee Retirement Plans (Continued)

Service Retirement Allowance

Eligibility:	Group A: The earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B: The earlier of age 62 with 5 years of service or age 55 with 30 years of service Group C and D: Age 55 with 5 years of service.
Amount:	Group A: 1.4% of AFC x service as Group A member Group B: 1.7% of AFC x service as a Group B member plus percentage earned as a Group A member x AFC. Group C: 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC. Group D: 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B or C member x AFC. Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance

Eligibility:	Age 55 with 5 years of service for Group A and B; age 50 with 20 years of service for Group D.
Amount:	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B members, and payable without reduction for Group D members.

Vested Retirement Allowance

Eligibility:	5 years of service.
Amount:	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.

Disability Retirement Allowance

Eligibility:	5 years of service and disability as determined by Retirement Board
Amount:	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member

Note 11. Employee Retirement Plans (Continued)

Death Benefit

Eligibility: Death after 5 years of service.

Amount: For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of date of death. For Group D, 70% of unreduced accrued benefit plus children's benefit.

Optional Benefit And Death after Retirement

For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% spousal survivorship with no reduction in retiree's benefit.

Refund of Contribution

Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments

Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 2% for Group A and 3% for Groups B, C, and D.

Member Contributions

Group A: 2.5% effective July 1, 2000 (reduced from 3%).
Group B: 4.875% effective July 1, 2015, 4.75% effective July 1, 2014 (increased from 4.625%).
Group C: 10% effective January 1, 2016, 9.875% effective July 1, 2015 (increased from 9.75%).
Group D: 11.35% effective July 1, 2015 (increased from 11.25%).

Employer Contributions

Group A: 4.00%.
Group B: 5.5% effective July 1, 2015 (increased from 5.375%).
Group C: 7.25% effective January 1, 2016, 7.125% effective July 1, 2015 (increased from 7.0%).
Group D: 9.85% effective July 1, 2015 (increased from 9.625%).

Retirement Stipend

\$25 per month payable at the option of the Board of retirees.

Contributions

The contribution requirements of VMERS members and the Town are established by the VMERS Board of Trustees. The contribution rates are reviewed annually by the VMERS Board as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund. The employees' contributions are deducted from the employee's wages or salary and remitted by the Town to VMERS on a quarterly basis. The Town's contractually required contribution rates for the year ended June 30, 2016 were as stated above. These rates were actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town's contributions to the Plan for the year ended June 30, 2016 were \$359,905.

Note 11. Employee Retirement Plans (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of \$1,856,657 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Town's proportion was 2.40825%, which was a decrease of .12115% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$489,854. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings	\$ 358,694	\$ -
Difference between projected and actual experience	58,689	-
Changes in proportionate share of contributions	-	65,325
Changes in assumptions	369,753	-
Town contributions subsequent to the measurement date	359,905	-
Total	<u>\$ 1,147,041</u>	<u>\$ 65,325</u>

The \$359,905 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	
2016	\$ 135,660
2017	135,660
2018	135,660
2019	314,831
Thereafter	-
	<u>\$ 721,811</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Note 11. Employee Retirement Plans (Continued)

Interest Rate: 7.95% per annum. Through July 1, 2014 a select-and-ultimate interest rate set, specified below. The interest rate set was restarted every year:

Year 1: 6.25%	Year 7: 8.25%	Year 13: 8.50%
Year 2: 6.75%	Year 8: 8.25%	Year 14: 8.50%
Year 3: 7.00%	Year 9: 8.50%	Year 15: 8.50%
Year 4: 7.50%	Year 10: 8.50%	Year 16: 8.75%
Year 5: 7.75%	Year 11: 8.50%	Year 17 and later: 9.00%
Year 6: 8.25%	Year 12: 8.50%	

Salary Increases: 5% per year

Deaths:

- Active participants - 50% of the probabilities in the 1995 Buck Mortality Tables for males and females
- Non-disabled retirees and terminated vested participants - The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females
- Disabled retirees - RP-2000 Disabled Life Tables
- Beneficiaries - 1995 Buck Mortality Tables for males and females

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for Groups B, C, and D

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term expected rate of return

The long-term expected rate of return on system investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Note 11. Employee Retirement Plans (Continued)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	31.50%	8.61%
Fixed income	33.00%	1.91%
Alternatives	15.50%	6.93%
Multi-strategy	<u>20.00%</u>	4.88%
Total	<u>100.00%</u>	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current system members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Change in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%) than the current rate:

	1% Decrease (6.95%)	Current Discount Rate (7.95%)	1% Increase (8.95%)
Town's proportionate share of net pension liability	\$ 3,708,548	\$ 1,856,657	\$ 304,241

Detailed information about the plan's fiduciary net position is available in the separately issued State of Vermont Comprehensive Annual Financial Report. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Note 12. Commitments and Contingencies

Superfund Site

On June 6, 1991, the Springfield Board of Selectmen voted to authorize the Town Manager to enter into a "Partial Consent Decree" with the United States Environmental Protection Agency, Browning-Ferris Industries of Vermont, Inc., Emhart Industries, Inc. and Textron, Inc. The Town of Springfield voted to approve the decree on July 30, 1991. This Partial Consent Decree serves principally to outline the legal duties and relationships of the settling defendants with regard to the "Record of Decision" (R.O.D.). The R.O.D. is the EPA decision document which sets forth the action for remediation from the seeps and known areas of groundwater contamination. The Town will operate and maintain the pre-treatment plant(s) for 29 years following one year of operation by Textron and Emhart. The effluent from the pre-treatment plant will be treated at the sewage treatment facility. In consideration of Springfield's efforts, Emhart and Textron have paid the Town \$200,000. The Town is also responsible for oversight costs incurred by the U.S. EPA. A discounted liability of \$791,404, for past and current oversight costs of \$823,226, has been recorded in the statement of net position. The additional annual oversight costs are added to the Town's EPA loan which is to be repaid at the rate of \$35,000 per year at 0% interest. At June 30, 2016, the balance owed is \$243,435.

Revolving loan fund agreements

The Town of Springfield has entered into agreements with the State of Vermont Environmental Protection Agency to borrow \$12,185,407 for certain projects. The amounts borrowed by the Town of Springfield can only be spent on the projects for which the loan is made and any approved amendments. At June 30, 2016 the Town had \$2,435,466 in Combined Sewer Overflow funding available. It also has \$960,500 in available funding for water projects.

Contracted commitments

The Town has the following open commitments at June 30, 2016.

	<u>Total contracts</u>	<u>Completed at June 30, 2016</u>	<u>Balance to complete</u>
Culvert replacement	\$ 233,546	\$ 35,346	\$ 198,200
Paving	851,482	588,628	262,854
Assessment services contract	335,514	33,000	302,514
Equipment	359,941	-	359,941
	<u>\$ 1,780,483</u>	<u>\$ 656,974</u>	<u>\$ 1,123,509</u>

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures, if any, which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, the Town of Springfield is a member of Vermont League of Cities and Towns Insurance Programs (VLCT). VLCT is a nonprofit corporation formed in 1967 to provide insurance and risk management programs for Vermont municipalities and is owned by the participating towns.

To provide unemployment coverage, VLCT has established a separate trust of funds from member contributions to pay administrative costs, and unemployment claims. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCT is unable to meet its required obligations, the Program will be allowed to assess each member their proportionate share of the deficit.

Note 14. Subsequent Events

The Town has evaluated all subsequent events through February 24, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Springfield, Vermont
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local				
Property taxes	\$ 8,731,896	\$ 8,731,896	\$ 8,770,661	\$ 38,765
Payments in lieu of taxes	629,000	629,000	707,984	78,984
Collectors fees and interest	118,000	118,000	133,803	15,803
Licenses, fees and permits	86,630	86,630	82,572	(4,058)
Cemetaries	14,000	14,000	18,715	4,715
Public works	324,000	324,000	259,508	(64,492)
Police	47,050	47,050	73,149	26,099
Fire and ambulance	443,200	443,200	408,897	(34,303)
Parks and recreation	5,000	5,000	5,484	484
Library	12,250	12,250	15,279	3,029
Other reimbursements	-	-	20,851	20,851
State grants received	263,000	263,000	302,519	39,519
Interest on invested funds	13,000	13,000	11,725	(1,275)
Miscellaneous	30,000	30,000	22,917	(7,083)
Total local	<u>10,717,026</u>	<u>10,717,026</u>	<u>10,834,064</u>	<u>117,038</u>
Other appropriations raised by taxes:				
Special appropriations	282,350	282,350	281,100	(1,250)
Other taxes	49,035	49,035	49,035	-
Total revenues	<u>11,048,411</u>	<u>11,048,411</u>	<u>11,164,199</u>	<u>115,788</u>
EXPENDITURES				
Finance and administration	795,550	795,550	768,955	26,595
Police	1,844,276	1,844,276	1,708,927	135,349
Fire and ambulance	1,195,131	1,195,131	1,286,444	(91,313)
Public works	2,314,726	2,314,726	2,150,225	164,501
Parks and recreation	286,254	286,254	279,898	6,356
Senior citizens	51,623	51,623	52,329	(706)
Library	516,802	516,802	510,584	6,218
Fixed costs	3,066,174	3,066,174	3,274,476	(208,302)
Reimburseable services - Other	136,000	136,000	144,650	(8,650)
Capital expenditures	510,490	510,490	624,597	(114,107)
Total local	<u>10,717,026</u>	<u>10,717,026</u>	<u>10,801,085</u>	<u>(84,059)</u>
Other appropriations:				
Special appropriations	282,350	282,350	281,100	1,250
Other taxes	49,035	49,035	49,035	-
Total expenditures	<u>11,048,411</u>	<u>11,048,411</u>	<u>11,131,220</u>	<u>(82,809)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,979</u>	<u>\$ 32,979</u>

See accompanying note to budgetary comparison schedule.

Town of Springfield, Vermont
Required Supplementary Information
Note to Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

Note A - Explanation of differences between budgetary inflow and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "total revenues" from the budgetary comparison	\$ 11,164,199
<i>Differences - budget to GAAP:</i>	
Revenues received for restricted purposes not included in budgeted revenues	46,366
Adjustment to revenue from changes in receivables not recognized for budgetary purposes	(29,319)
Town records some payments from the State of Vermont as funds are received for budgetary purposes and as they are earned for GAAP purposes	(283)
Amounts received from the Permanent funds held by the Springfield Trustees of Public Funds are considered revenues for budgetary purposes and operating transfers in for GAAP purposes	(16,216)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 11,164,747

Uses/outflows of resources:

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison	\$ 11,131,220
<i>Differences - budget to GAAP:</i>	
Additions to assigned funds are recorded as expenditures for budgetary purposes	(292,701)
Expenditures from assigned and restricted funds are not recorded as expenditures for budgetary purposes	781,386
The Town budgets for the current portion of accrued sick time and for vacation time on the cash basis, rather than the modified accrual basis	(77,442)
Costs financed and paid directly by the U.S. EPA for the Town Superfund site are not recognized as expenditures for budgetary purposes	41,124
Town records capital acquisitions based on cash outlay for budgetary purposes and at net of trade-in value for fund basis	15,205
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(466,000)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 11,132,792

Actual expenditures exceed appropriations by \$82,809.

Town of Springfield, Vermont
Schedules of Required Supplementary Information
Vermont Municipal Employees Retirement System

**Schedule of the Town's Proportionate Share
of the Net Pension Liability**

Last 3 Fiscal years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	2.40825%	2.5294%	2.6631%
District's proportionate share of the net pension liability	\$ 1,856,657	\$ 230,849	\$ 969,590
District's covered-employee payroll	\$ 5,147,349	\$ 4,928,946	\$ 4,967,335
District's portion of the net pension liability as a percentage of the covered-employee payroll	36.07%	4.68%	19.52%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%	92.71%

Schedule of the Town's Contributions

Last 3 Fiscal years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 336,636	\$ 326,277	\$ 319,676
Contributions in relation to the statutorily required contribution	<u>336,636</u>	<u>326,277</u>	<u>319,676</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,147,349	\$ 4,928,946	\$ 4,967,335
Contributions in relation to the statutory required contribution as a percentage of the covered-employee payroll	6.540%	6.620%	6.436%

Note: This schedule will eventually present 10 years of information; however it currently only provides information on fiscal years for which it is available.

Town of Springfield, Vermont
Notes to Required Supplementary Information - Pension Plans
Vermont Municipal Employees Retirements System

Change in actuarial assumptions:	Discount rate was changed from 8.23% to 7.95%
Proportionate share of change in actuarial assumptions	\$ 369,753
Benefit changes that affected measurement of the total pension liability during the period	None