

# Towns in Trouble:

## Assessing municipal fiscal health in Vermont

A report from  
the Ethan Allen Institute

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Cover: Montpelier, Vermont

*Is your Vermont town  
in sound fiscal shape?*



## Summary

Lately the media has paid some much-needed attention to Vermont's financial challenges related to unfunded pension liabilities, demographic changes, and labor force at the state level. However, our municipalities must deal with many of the same and similar challenges, and this has not received its due attention. There is some serious cause for concern about the fiscal health of our cities and towns.

To help shed some light this important but underreported issue, the Ethan Allen Institute partnered with the Reason Foundation to create a report entitled "Cause for Concern: Assessing Municipal Fiscal Health in Vermont."

Of the 30 Vermont municipalities we analyzed, accounting for 46% of Vermont's total population, only four are in excellent fiscal health (scored 70 or above), sixteen meet a minimum of fiscal strength (scored 50-69), while an alarming eleven are in poor fiscal condition (scored 49 or less).

We determine "fiscal health" by measuring several factors, including debt costs, pension and retiree healthcare liabilities, savings, and recent changes in property values and unemployment. You can view our calculations [here](#).

Some of these results were surprising, others less so. Many of the top performers were in Chittenden County, but even here, only eight municipalities were marginally healthy, and only two were in fine fiscal health. Vermont's wealthiest town of Shelburne landed exactly in the middle of Vermont municipalities, at #15. Lyndon has a median household income that is less than half of Shelburne, and yet it was able to score 12 points better on fiscal health. While Shelburne does slightly better on "Unrestricted Net Position," Lyndon far surpassed Shelburne in "General Fund Balance." So clearly, a high median income does not always work in a town's fiscal favor.

Increases in population growth, income and property values tend to correlate loosely with higher scores (the direction of causation is not clear). However, this cannot explain the entire story. Auditors for two of the three lowest scoring towns noted multiple instances of "material weaknesses" in how the municipality manages its finances, suggesting accounting errors would be difficult to catch.

In general, Vermont municipalities tend to score well in the Debt, Homevalue, and Employment components. There is a large gulf between municipalities which exhibit a healthy General Fund Balance and those registering an alarmingly low General Fund Balance. Most Vermont municipalities have an exceedingly dire ratio of Unrestricted Net Position to Total Expenditures, a measure of overall fiscal health. If Vermont's municipalities hope to improve their fiscal standing, this would be an excellent place to start.

## Backgrounds

The last decade has witnessed a series of local government fiscal crises. Most prominent among these were Chapter 9 municipal bankruptcy filings by Detroit Mich., Harrisburg Penn., and Jefferson County Ala., as well as the California cities of Stockton, San Bernardino and Vallejo. More recently, the Commonwealth of Puerto Rico stopped servicing its municipal bond debt and leveraged a new territorial bankruptcy regime created by Congress, while Hartford Conn. [narrowly avoided](#) a bankruptcy filing by obtaining state assistance.<sup>12</sup>

While the vast majority of US municipalities have avoided default or bankruptcy, fiscal crises arising from the Great Recession served as a reminder of more widespread local government financial failures during the Great Depression [when about 5000 municipalities defaulted](#) nationwide.<sup>3</sup>

In Vermont, our research uncovered only one municipal bond default over the past 100 years. And this “municipal” bond was not issued by a city or town. In 2004, the Vermont Housing Finance Agency [issued](#)<sup>4</sup> taxable municipal bonds on behalf of a non-profit corporation to build [Spinner Place](#), a 312-bed student housing facility near the University of Vermont.<sup>5,6</sup> After several years of [financial challenges](#), the project [defaulted](#)<sup>7</sup> on required interest payments in 2018.<sup>8</sup>



“SPINNER PLACE,” WINOOSKI, VERMONT

Although issued by a state agency, the bonds are obligations of the private entity that owns the complex. But the default could be a premonition for municipalities. If a company defaulted on the bonds it issued in one of the few areas of Vermont that is seeing population growth, this cannot bode well for municipalities growing older and losing residents. Such cities and towns will also be challenged to maintain, let alone grow, their local tax bases.

In this study, we employ a fiscal scoring system developed from data in multiple states to determine which of Vermont’s 30 most populous towns and cities (municipalities) may be at risk.

## Methodology

We located audited financial statements (Comprehensive Annual Financial Reports or “CAFRs”) from 30 of Vermont’s most populous municipalities (according to the US Census Bureau) and scored them on a 0-100 scale based on five metrics. These metrics were selected and weighted based on their ability to predict whether a city or county will face a financial distress event, such as a municipal bond default or bankruptcy, in the near future. Empirical support for an earlier version of this scoring system was provided in a [study](#) published by UC Berkeley’s Haas Institute and [another study](#) from California’s auditor.<sup>9</sup> We have updated the scoring system to be more consistent with new Government Accounting Standards Board pronouncements and to reflect subsequent [research](#) published by the Mercatus Center at George Mason University.<sup>10</sup>



A score of 70 or above is considered healthy; scores from 50 to 69 are marginal. The municipalities with scores below 50 face severe fiscal distress and are in danger of becoming insolvent.

Eleven of the thirty Vermont municipalities exhibit fiscal distress. The metrics we used are as follows:

Measure	Points	Details
The ratio of a municipality's <a href="#">Unrestricted General Fund Balance</a> to its Expenditures, from municipal CAFR	30	$\frac{(\text{Unassigned General Fund Balance} + \text{Assigned General Fund Balance} + \text{Committed General Fund Balance})}{(\text{General Fund Expenditures})}$
The ratio of Total Long-term Debt to Total Government-Wide Revenues, from municipal CAFR	30	$\frac{(\text{Current Portion Long-term Debt} + \text{Net Pension Liability} + \text{Net OPEB Liability} + \text{All Other Long-Term Debt})}{(\text{General Revenues} + \text{Capital Grants \& Contributions} + \text{Charges for Services} + \text{Operating Grants and Contributions})}$
The ratio of government-wide Unrestricted Net Position to total Government-Wide Expenses, from municipal CAFR	20	<a href="#">Unrestricted Net Position</a> refers to the government's total assets, excluding capital and restricted assets, net of liabilities <sup>11</sup>
Change in local employment	10	Change in Local Employment Values (BLS) between June 2017 and June 2018. Positive changes lead to higher scores.
Change in property values	10	VT Department of Taxes' Equalized Municipal Grand List <a href="#">2017 and 2018</a> . Increased values lead to higher scores

The first three factors, accounting for 80 percent of the total score, are financial ratios calculated from audited financial statements posted by each government. [Local employment data](#) was obtained from the Bureau of Labor Statistics (BLS).<sup>12</sup> [Property value data](#) was obtained from the Vermont Department of Taxes' Grand List.<sup>13</sup> In some cases, the BLS and the Vermont Department of Taxes do not have data for a given city, town or county. In these instances, we used data from a neighboring jurisdiction as a proxy.

Our research suggests that municipalities suffer financial crises due to some combination of declining revenue, unsustainable long-term obligations and insufficient general fund reserves. The local employment and property value metrics are intended to capture future revenue trends.

## Financial Data Collection

As noted in the methodology section, scores are primarily driven by data obtained from audited financial statements produced by municipalities. Public sector entities that expend more than \$750,000 in federal funds annually and/or issue municipal bonds are required to produce a CAFR.

Many municipalities publish CAFRs on their web sites. These documents can also be obtained from the Municipal Securities Rulemaking Board's [EMMA](#) website or the [Federal Audit Clearinghouse](#).<sup>14 15</sup> That said, a few CAFRs from Vermont's populous towns could not be located in time to be included in this report.

Unfortunately, the state of Vermont does not collect and centrally post local government CAFRs. In this regard, we recommend that the state consider the example set by Rhode Island, which aggregates its local government's audited financial reports at Rhode Island's Municipal Finance [website](#).<sup>16</sup>

For the CAFR's that we were able to obtain, collecting data from them is difficult. Because the documents are in PDF format, relevant financial statistics must be located and re-entered into a computer spreadsheet or database. As a result, it is costly and difficult to develop and maintain local government scoring systems like the one presented in this study. State-level fiscal monitoring systems could be more easily maintained and enhanced by replacing PDF-based local government financial reporting with a more advanced reporting standard such as Inline eXtensible Business Reporting Language (iXBRL).

Overall, we processed data for thirty Vermont municipalities using the latest available financial statements as of August 2019, mostly for Fiscal Year 2018, but some for Fiscal Year 2017. Some communities did not produce audited financial statements while others did not apply Governmental Accounting Standards. For example, South Hero reports on a cash basis rather than the accrual basis GASB required for government-wide financial statements. By reporting this way, a municipality makes it impossible to assess accrued liabilities like pension obligations and postemployment health care benefits. As such, we chose not to include it in our study.

Some states impose requirements on municipalities above a certain size to produce audited financial statements using GASB standards on a timely basis. Vermont may wish to consider similar legislation.

## Findings

Scores, underlying data and calculations are provided in the accompanying [spreadsheet](#) at the back of this report.<sup>17</sup> According to our metric, Vermont municipalities display a wide range of fiscal conditions. Scores ranged from 22 to 92. Next, we'll review the highest and lowest scoring governments and conclude with the urban behemoth of Burlington and Essex Junction, the only municipality in Vermont with \$0 in Net Pension Liability.

# Vermont's Fiscal Health of Municipalities by County

## KEY:

HEALTHY  
MARGINAL  
DISTRESSED

### FRANKLIN

Fairfax-52  
St. Albans City-37

### LAMOILE

Morristown-66

### ORLEANS

Derby-50

### CALEDONIA

Lyndon-70  
St. Johnsbury-68

### CHITTENDEN

Williston-92  
Essex Town-83  
Jericho-69  
Colchester-67  
Essex Jct.-65  
Winooski-64  
Burlington-63  
Milton-59  
Shelburne-58  
S. Burlington-51

### WASHINGTON

Barre Town-89  
Northfield-64  
Waterbury-49  
Montpelier-48  
Barre City-43

### ADDISON

Middlebury-52  
Bristol-43

### ORANGE

Randolph-22

### RUTLAND

Brandon-59  
Rutland City-42

### WINDSOR

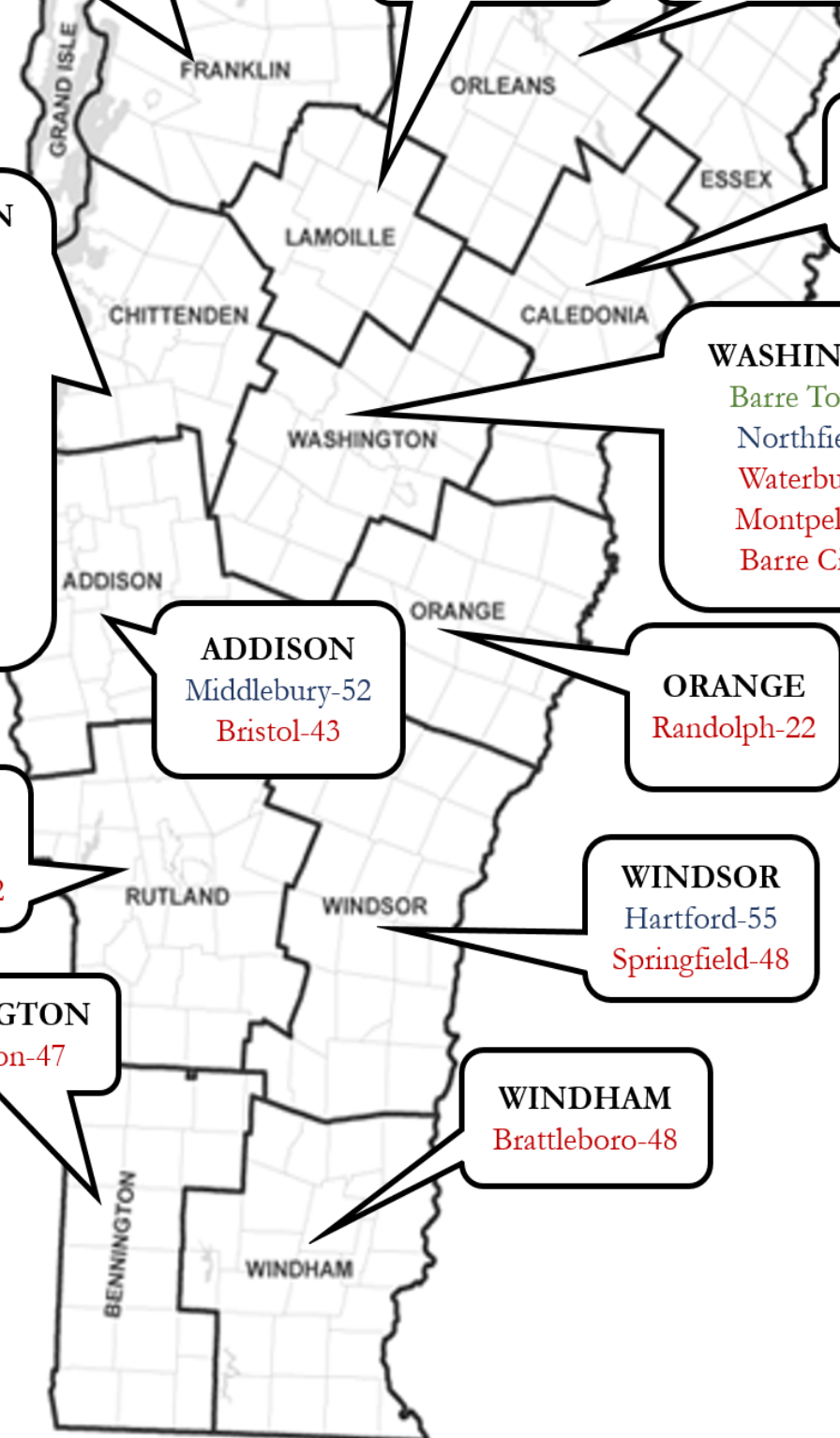
Hartford-55  
Springfield-48

### BENNINGTON

Bennington-47

### WINDHAM

Brattleboro-48



## High Scores

**Williston's** score of 92 makes it the highest scoring municipality in Vermont. Williston's General Fund Balance of \$3.3 million is 36% of \$9.4 million in General Fund Expenditures. Williston had \$10.5 million in Total Unrestricted Net Position, covering a laudable 75% of \$14 million in Total Expenditures. Williston's Total Long-Term Debt of \$11.3 million represents 75.3% of its Total Revenues of \$15 million. A manageable \$1.5 million of this debt is Net Pension Liability. No material weaknesses or accounting lapses were found.

**Barre Town's** 89 makes it the second highest scoring municipality in Vermont. It paced the field of Vermont municipalities with a low Debt and high General Fund Balance. Barre's General Fund Balance of \$2.7 million bolstered 43% of \$6.3 million in General Fund Expenditures. Barre's Total Long-Term Debt of \$3.3 million (\$1.3 million net pension liability) that represents a mere 33% of its Total Revenues of \$10 million. Its Unrestricted Net Position of \$3.3 million in Total Unrestricted Net Position covered 33% of \$9.9 million in Total Expenditures. Unspectacular, but still in the upper third of Vermont municipalities. No material weaknesses indicating accounting lapses were found.



RANDOLPH, VERMONT

**Essex Town** rounds out the top three, scoring an 83. Essex Town's General Fund Balance of \$3.3 million is 25% of \$13.4 million in General Fund Expenditures. Essex Town's Unrestricted Net Position of \$7.5 million covered 43% of its \$17.5 million in Total Expenditures. Essex Town has \$4.3 million in Net Pension Liability, giving it a Total Long-Term Debt of \$10.3 million. This debt is 54% of its Total Revenues of \$19 million, making it one of the best performing municipalities in this area. No material weaknesses indicating accounting lapses were found.

## Low Scores

**Randolph** received the worst score in Vermont: a 22. It scored terribly in the three major categories, receiving 4 out of a maximum of 80 points. In February 2019, Randolph's auditor identified "[two material weaknesses](#) in the Town's system of internal control over financial reporting... related to capital asset, long-term debt and capital lease accounting, and balance sheet account reconciliations."<sup>18</sup> This is concerning given that a [material weakness](#) indicates that errors on financial statements "will not be prevented or detected on a timely basis."<sup>19</sup> The auditor proposed [25 adjustments](#) to Randolph's general balances so that misstatements can be more efficiently addressed.<sup>20</sup>

Total Long-Term Debt of \$16.6 million represents 233% of Randolph's Total Revenues of \$7.1 million. \$2 million of its Long-Term Debt is from Net Pension Liability. It has no General Funds to cover its \$2.7 million in General Fund Expenditures, the only municipality to bear this unenviable distinction. Lastly, it has an unsightly \$-1 million for Total Unrestricted Net Position, a rather poor way to cover \$7.5 million in Total Expenditures.

**St. Albans City** received an ugly 37 score (second worst), driven down by a poor net position and sizeable debt. It has been taking steps to rectify its financial standing, aware that its population shrank [10%](#) from 2008-18.<sup>21</sup> In July 2018, St. Albans reviewed a “comprehensive set of [financial policies](#) and procedures (developed in 2011) which cover financial reporting, cash management, credit cards, debt, investments, purchasing, and fund balance.”<sup>22</sup> It is the only one of the three lowest scoring municipalities where the auditor did not identify any material weaknesses.

These policies “establish and maintain high standards for the accounting practices” in an attempt to ensure that “financial statements have reliable, transparent data on which to base decisions.” St. Albans City is creating a multi-year budget forecast which endeavors to incorporate “organization-wide strategic goals and strategies that influence future operating budgets.” For having one of the worst overall scores in Vermont, St. Albans City still exhibits a respectable General Fund Balance of \$1.3 million, good for 17% of its \$8 million in General Fund Expenditures.



RUTLAND, VERMONT

St. Albans City is one of seven Vermont municipalities with a negative Total Unrestricted Net Position (half a million in the red), putting it a long way from absorbing a sizeable \$16.6 million in Total Expenditures. It’s also saddled with a Long-Term Debt of \$35.1 million, more than double its Total Revenues of \$15.8 million. A hefty \$4.3 million of this debt is from Net Pension Liability.

According to St. Albans’ city manager, our analysis is flawed because it does not include the St. Albans Tax Increment Finance Districts (TIF Districts) and its wastewater bonds. While we do not consider TIF District or wastewater funding as independent components in our calculations, TIF funding is accounted for in the ‘ratio of Total Long-term Debt to Total Government-Wide Revenues’ and the ‘ratio of Unrestricted Net Position to Total Expenditures.’ These two categories account for 60 of the 100 points in each municipalities’ score.

Each of the 30 municipalities fund themselves differently. As such, attempting to adjust scores based on individual municipal situations outside the realm of each municipality’s CAFR would make our report less credible. Concerned citizens should consult the financial documents of their town to gain a complete understanding of their town’s fiscal situation.

**Rutland City** did not score as terribly as Randolph or St. Albans City, but it was enough to round out the worst three municipalities, earning a 42. The auditors identified 10 material weaknesses in Rutland City’s accounting practices. Rutland City’s management has taken some form of corrective action for 8 of these 10 weaknesses.

Rutland City did poorly in both Unrestricted Net Position (\$-21.9 million vs. \$30.2 million of Total Expenditures) and its General Fund Balance (\$3.9 million covers just \$23.4 million in General Fund Expenditures). Rutland City has \$22.4 million in Net Pension Liability and its Total Long-Term Debt of \$50 million is nearly double the size of its \$31.6 million Total Revenues.



## Other Notable Municipalities

**Essex Junction** scored a 65, making it marginally healthy. Its Long-Term Debt of \$17.8 million slightly exceeds its Total Revenues of \$16.1 million, putting it solidly in the middle of the pack.

Essex Jct. is the lone municipality among those studied to offer employees a 401a *defined contribution pension* (double the investment amount of employee's contribution) to full-time employees, as opposed to the *defined benefit pension* (set dollar amount) in retirement. With a defined contribution pension, each employee can then invest their funds as they see fit. This has allowed Essex Jct. to have \$0 Net Pension Liability, the only municipality in our dataset that can claim this.

Essex Jct.'s Unrestricted Net Position comes out to be 36% of \$13.7 million in Total Expenditures, on par with other municipalities scoring in the 50's. Its General Fund Balance of \$678,000 is 17% of \$4.1 million in General Fund Expenditures.

**Burlington's** marginal fiscal health gave it a 62 score. As one of the few areas in Vermont that could be considered urban, it boasts more than 42,000 residents, more than ten times most Vermont municipalities.

The most noticeable blemish on its fiscal record is Total Expenditures of \$190.6 million, engulfing its \$5.5 million in Unrestricted Net Position. Net Position notwithstanding, recent reforms are sending Burlington in the right direction. Burlington has built up a healthy General Fund Balance of \$16.3 million, covering 27% of its General Fund Expenditures of \$59.4 million. Burlington's Total Revenues of \$205.5 million slightly mitigates its sizeable Total Long-Term Debt of \$316.7 million.

That said, Burlington does have a Net Pension Liability of \$78.7 million, which is more than the combined liability of *each* of the other 29 municipalities we analyzed.

In 2013, the Burlington Employee Retirement System board [transferred \\$155 million](#) of city assets managed by a state-run board to a private fund manager with lower fees.<sup>23</sup> According to Mayor Weinberger, Burlington has "gotten out of the game of trying to beat the market. We won't beat the market, but we also won't be well below the market as we had been for a number of years up until this change."

Additionally, city union workers agreed to pay a greater percentage of their earnings into the retirement fund. Union workers also agreed to contribute more if Burlington's required pension payment exceeds [\\$9 million between FY2015-18](#).<sup>24</sup> this was "accomplished without the kind of really sharp labor conflicts we've seen elsewhere."

These reforms are expected to save taxpayers [\\$8 million by 2020](#).<sup>25</sup> As a result, Burlington has been able to lower its property tax rates. Once it tackles its Unrestricted Net Position and pension liability, Burlington could be on its way toward a healthy fiscal future.

## Conclusion

Fiscal disasters were rarely witnessed in Vermont during the twentieth century. Vermonters built up a reputation for being thrifty and honoring their debts, in both the public and private sectors. And of course, nearly [doubling our tax base](#) since 1900 empowered us to provide an abundance of government services to an ever expanding populous.<sup>26</sup> Now it seems, those glory days are coming to an end. As the United States has grown by leaps and bounds since the Great Recession of 2009, Vermont's population has stagnated.

It has been [124 months](#) since the last US recession, an all-time record.<sup>27</sup> Municipalities should be shoring up their resources for an inevitable economic downturn, which many economists are forecasting within the [next 2 years](#).<sup>28</sup> That said, few Vermont municipalities look especially fiscally resilient, and many are losing population.

While some Chittenden County municipalities can boast a modest influx of residents, [municipalities](#) in the southern part of the state are waving goodbye to many residents.<sup>29</sup> Those who decide to stay are often older and will soon age out of their municipalities' tax bases. As we age, our birthrates will continue to decline, exacerbating the problem of fewer young taxpayers. This dual demographic trend means fewer resources are available for municipalities to improve their fiscal situations. It will be less painful to address these problems now than in a decade.

Of the 30 municipalities we analyzed, accounting for 46% of Vermont's population, only four are in excellent fiscal health (scored 70 or above), sixteen meet a minimum of fiscal strength (scored 50-69), while an alarming eleven are in poor fiscal condition (scored 49 or less).

In general, most Vermont municipalities tend to score well in the Debt, Homevalue, and Employment categories. There is a large gulf between municipalities which exhibit a healthy General Fund Balance and those registering an alarmingly low General Fund Balance. Most Vermont municipalities have an exceedingly dire ratio of Unrestricted Net Position to Total Expenditures, a measure of overall fiscal health. If Vermont's municipalities hope to improve their fiscal standing, this would be an excellent place to start.

Some poorly scoring municipalities, like St. Albans City, are struggling to cope with a shrinking population. Thankfully, they have taken steps in recent years to make themselves better fiscal stewards. But population loss cannot explain the poor fiscal conditions that other municipalities find themselves in. The worst scoring municipality of Randolph (which hasn't suffered population loss) has been reprimanded for accounting lapses, which may have contributed to its poor score over the long term.

Fiscal stewardship, especially at the level of local accountability, should be looked upon as a process of continuous improvement, even for the municipalities with high scores. Often, Vermont municipalities aren't aware of the fiscal precariousness of their situation. Our intention is not to single out poorly performing municipalities. Rather, we hope to provide all Vermont municipalities with a new set of signposts for diagnosing their fiscal health in the coming decades.

## Fiscal Scores and Ratios - Vermont Towns and Cities (FY2018)

Municipality (Mentioned in Report)	County	SCORE (Healthy, Marginal, Distressed)	RANK	30 Points "Unassigned and Assigned General Fund Balance / General Fund Expenditures"	30 Points "Total Debt / Total Revenue"	20 Points "Unrestricted Net Position / Total Expenditures"	10 Points "Employment Change"	10 Points "Home Price Change"	"Fiscal Year End Date" of Audited Financial Statement	
Williston	Chittenden	92	1	30	26	16	10	10	June 30, 2018	
Barre Town	Washington	89	2	30	30	9	10	10	June 30, 2018	
Essex Town	Chittenden	83	3	23	29	10	10	10	June 30, 2018	
Lyndon	Caledonia	70	4	27	21	7	10	5	December 31, 2017	
Jericho	Chittenden	69	5	13	30	10	7	9	June 30, 2017	
St. Johnsbury	Caledonia	68	6	30	15	5	10	8	June 30, 2018	
Colchester	Chittenden	67	7	16	23	8	10	10	June 30, 2018	
Morristown	Lamoille	66	8	13	30	6	9	9	June 30, 2018	
Essex Junction	Chittenden	65	9	15	21	9	10	10	June 30, 2018	
Northfield	Washington	64	10	2	22	19	10	10	June 30, 2018	
Winooski	Chittenden	64	10	25	15	7	7	10	June 30, 2018	
Burlington	Chittenden	63	12	25	14	4	10	10	June 30, 2018	
Brandon	Rutland	59	13	6	30	5	10	8	June 30, 2018	
Milton	Chittenden	59	13	16	15	8	10	10	June 30, 2018	
Shelburne	Chittenden	58	15	6	26	8	10	9	June 30, 2018	
Hartford	Windsor	55	16	23	10	2	10	10	June 30, 2018	
Fairfax	Franklin	52	17	0	30	5	6	10	June 30, 2018	
Middlebury	Addison	52	17	18	8	5	10	10	June 30, 2018	
S. Burlington	Chittenden	51	19	0	29	5	8	10	June 30, 2018	
Derby	Orleans	50	20	1	30	4	10	6	December 31, 2017	
Waterbury	Washington	49	21	3	24	3	9	10	December 31, 2017	
Brattleboro	Windham	48	22	12	13	5	10	7	June 30, 2018	
Montpelier	Washington	48	22	3	23	2	10	10	June 30, 2018	
Springfield	Windsor	48	22	6	25	3	10	3	June 30, 2018	
Bennington	Bennington	47	25	0	23	6	10	7	June 30, 2018	
Barre City	Washington	43	26	0	21	2	10	10	June 30, 2017	
Bristol	Addison	43	26	8	12	5	10	7	June 30, 2018	
Rutland City	Rutland	42	28	12	14	0	10	6	June 30, 2018	
St. Albans City	Franklin	37	29	15	4	3	7	8	June 30, 2018	
Randolph	Orange	22	30	0	3	1	10	9	June 30, 2018	
		SCORE (Healthy, Marginal, Distressed)	RANK	Unassigned and Assigned General Fund Balance / General Fund Expenditures	Total Debt / Total Revenue"	Unrestricted Net Position / Total Expenditures	Employment Change	Home Price Change	2017 Census Population (for reference, not used in calculations)	Median Household Income. 2017 American Community Survey (for reference, not used in calculations)
Williston	Chittenden	92	1	35.7%	75.4%	75.0%	0.0%	2.7%	9,637	\$81,674
Barre Town	Washington	89	2	42.5%	32.9%	32.9%	0.1%	3.8%	7,723	\$71,419
Essex Town	Chittenden	83	3	24.8%	53.9%	42.9%	0.0%	3.0%	21,519	\$77,212
Lyndon	Caledonia	70	4	29.2%	112.8%	23.7%	1.0%	-2.1%	5,772	\$41,190
Jericho	Chittenden	69	5	15.0%	37.8%	42.0%	-3.3%	2.4%	5,047	\$98,558
St. Johnsbury	Caledonia	68	6	38.5%	148.1%	10.5%	1.0%	0.9%	7,209	\$40,391
Colchester	Chittenden	67	7	17.7%	96.1%	30.8%	0.0%	2.7%	17,287	\$70,512
Morristown	Lamoille	66	8	14.6%	52.8%	13.6%	-0.9%	2.5%	5,422	\$46,100
Essex Junction	Chittenden	65	9	16.7%	111.0%	36.4%	0.0%	3.0%	10,691	\$77,212
Northfield	Washington	64	10	4.4%	100.3%	92.5%	0.8%	3.0%	6,032	\$67,775
Winooski	Chittenden	64	10	26.5%	152.7%	24.3%	-2.8%	3.7%	7,237	\$50,072
Burlington	Chittenden	63	12	27.4%	154.1%	2.9%	0.0%	2.6%	42,239	\$48,776
Brandon	Rutland	59	13	7.7%	25.7%	9.6%	-0.1%	1.2%	3,790	\$53,581
Milton	Chittenden	59	13	18.2%	148.3%	26.8%	0.0%	2.7%	10,940	\$74,896
Shelburne	Chittenden	58	15	7.9%	77.0%	25.2%	-0.1%	1.8%	7,730	\$100,250
Hartford	Windsor	55	16	24.6%	181.9%	-8.5%	0.4%	3.0%	9,612	\$65,079
Fairfax	Franklin	52	17	-6.4%	33.3%	12.3%	-3.6%	3.2%	4,669	\$71,818
Middlebury	Addison	52	17	20.3%	195.4%	12.0%	-0.1%	5.4%	8,598	\$53,089
S.Burlington	Chittenden	51	19	1.1%	55.0%	9.3%	-2.3%	2.6%	19,141	\$67,160
Derby	Orleans	50	20	2.9%	36.6%	3.8%	-0.3%	-1.4%	4,289	\$51,458
Waterbury	Washington	49	21	5.0%	89.3%	-2.3%	-0.9%	2.7%	5,142	\$64,041
Brattleboro	Windham	48	22	14.2%	164.7%	13.0%	-0.2%	0.4%	11,487	\$46,083
Montpelier	Washington	48	22	5.4%	98.4%	-8.3%	0.1%	3.0%	7,484	\$62,139
Springfield	Windsor	48	22	8.2%	80.7%	0.8%	0.9%	-4.4%	8,924	\$41,813
Bennington	Bennington	47	25	-4.6%	96.3%	17.6%	0.6%	0.2%	15,003	\$46,789
Barre City	Washington	43	26	-5.2%	110.6%	-5.6%	0.1%	3.5%	8,659	\$35,174
Bristol	Addison	43	26	10.4%	169.6%	11.5%	-0.1%	0.2%	3,892	\$52,333
Rutland City	Rutland	42	28	14.4%	158.4%	-72.7%	0.2%	-0.8%	15,440	\$42,140
St. Albans City	Franklin	37	29	16.8%	221.7%	-2.9%	-3.5%	1.4%	6,795	\$49,858
Randolph	Orange	22	30	0.0%	232.8%	-12.7%	0.5%	1.5%	4,693	\$55,882

## Appendix: “What If I Don’t See My Town?”

If you don’t see your Vermont town listed in this report but want to better understand its state of fiscal health, here is a guide for how to do so.

**Where to Look:** The information you need can usually be found on your town’s website under “Town Clerk”, “Financial Reports” or “Annual Report.” If you have trouble finding it, locate your Town Clerk or Town Manager’s phone and email on the website and contact them for assistance.

**What you need to look/ask for:** Your town’s latest “Comprehensive Annual Financial Report” (CAFR), which may also be called an “Audited Financial Report.”

**How to evaluate the information:** In order to calculate an estimated score for your town, you can focus on finding a few key figures: Unrestricted Net Position, Long Term Obligations, Total Revenues and Total Expenditures.

Referencing these figures, use Page 4 of this report discussing the formulas to calculate a percentage in each of the five categories. From there, compare each percentage of your town with a town from our list of 30 that has a similar percentage, on the bottom table of page 11. Next, match those percentages with the appropriate sub-score corresponding to that town on the top table of Page 11 of this report. Add those 5 sub-scores together. You now have an approximate fiscal score for your town.

Finally, you may wish to review the opinion of the independent auditor near the front of the CAFR. In some cases, auditors find problems with the way your town accounts for their finances (making it more difficult to catch errors in a timely fashion, which they may call “material weaknesses.”

If you need assistance, contact David Flemming, [david@ethanallen.org](mailto:david@ethanallen.org)

By educating yourself on your town’s accounting methods and its financial ratios, you are well on your way toward becoming a more sought-after voice for financial matters within your community.



## About the Authors

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His financial research has been published by the California State Treasurer's Office, UC Berkeley, the Mercatus Center at George Mason University and the Macdonald-Laurier Institute among others. Joffe is a regular contributor to *The Fiscal Times* and his op-eds have also appeared in *The Guardian*, *Bloomberg View* and *RealClearMarkets*. He has an MBA from New York University and an MPA from San Francisco State University.

## About the Organizations

The **Ethan Allen Institute** helps Vermonters better understand and put into practice the fundamentals of a free society: individual liberty, private property, competitive free enterprise, limited government, strong local communities, and personal responsibility.

The **Reason Foundation** advances a free society by developing, applying, and promoting libertarian principles, including individual liberty, free markets, and the rule of law.

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