



Batchelder Associates, PC

April 6, 2013

To the Board of Selectmen
Town of St. Johnsbury
St. Johnsbury, VT

We have audited the financial statements of the governmental and the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Johnsbury for the year ended December 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 24, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of St. Johnsbury are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during December 31, 2011. We noted several transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. Significant transactions were not recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Town of St. Johnsbury's financial statements was:

Management's estimate of the grant expenses and receivables which is based on expenses owed and funds which are due to the Town. We evaluated the key factors and assumptions used to develop the grant expenses and receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with the employed management in performing and completing our audit. The difficulty arose due to the unusual departure of key finance employees prior to and during the audit period. As most of the staff was gone, there was little aid in compiling the information from personnel responsible for the finances of the Town during the audit period.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, numerous misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial

Bonnie K. Batchelder • Certified Public Accountant

statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following findings and issues were found during our audit; in addition to the deficiencies reported in the A-133 audit report. The A-133 audit report findings should be reviewed in combination with this letter.

➤ **General Issues**

- Time saving software modules were not being used to their full potential to post entries. We suggest using the appropriate software modules to post transactions instead of general journal entries.
- There are significant weaknesses in the payroll module and how information is being reported and posted. A separate letter as it relates to payroll specifically has been provided.
- There are abundant amounts of inactive/unused vendors and expense accounts. We suggest reviewing which vendors and accounts are necessary to operate and delete all unnecessary accounts/vendors.
- Operating expense accounts were being used for fund transfers. We suggest special expense accounts for transfers. The following were incorrect and changed during the audit:
 - 3-7-000-89.05 – Manager's office Expense
Changed to Transfer to General Fund
 - 3-7-000-89.06 – Clerk's Office Expense
Changed to Transfer to Highway Fund
 - 4-7-000-89.06 – Clerk's Office Expense
Changed to Transfer to General Fund
 - 4-7-000-89.07 – Police Department Expense
Changed to Transfer to Police Department

➤ **Bank Reconciliations**

- Bank Reconciliations are not completed by one person. We suggest one person complete the reconciliation with an independent review by another responsible staff.

➤ Cash Receipts

- Cash Receipts were not being recorded through NEMRC A/R. We suggest using the NEMRC A/R module to enter Cash Receipts in the future.
- Invoices were not created for grant funds. We suggest creating invoices for grant funds to apply grant revenue against so that cash received from granting sources can be kept track of easier.

➤ Cash Disbursement

- Checks were written out of fiscal year. We suggest reviewing all check dates before and after year end to prevent assigning a check a date from a prior or future period.
- The Bank Reconciliation was being completed before transactions for the current period were all entered. We suggest that all transactions are completed for the current period before the Bank Reconciliation is completed.
- 1099's were inaccurate because of miss-posting of check dates. We suggest reviewing vendor files before issuing 1099's for correct dates for services paid before and after year end to ensure the proper amount is reported on the 1099.
- AP Posting dates were based on payment dates instead of invoice dates. We suggest a revised process to review entered invoices to ensure correct dating.

➤ General Ledger

- There were excessive journal entries posted to the GL. We suggest better utilization of NEMRC modules to help reduce journal entries and speed up entry.
- There were several incorrect entries posted to the GL. We suggest the review and approval journal entries before they are posted.

➤ Payroll

- Payroll reports were not filed together by pay date. We suggest filing all reports by pay period sorted by employee to allow easier reference to previous payrolls.
- Reports from ADP were not requested weekly. We suggest requesting all reports be delivered weekly to reconcile payroll produced by ADP to Town timesheets.
- There was a lack of copies on hand of 941 and C-101 filings. We suggest requesting confirmations and reports from ADP to ensure proper filings are done.
- Journal entries were not kept with the payroll they relate to. We suggest placing copies of all journal entries related to a payroll in with the appropriate week's payroll reports.
- SUTA was not blocked. We suggest that ADP be advised of this and have SUTA block from payroll, as the town is exempt from paying SUTA.
- The allocation spreadsheets were not organized correctly. We suggest revising to more accurately keep track of hours worked by the different departments.

➤ Tax Sale Issues

- Tax sale escrow accounts are set up at the bank for each individual account. This creates more work and makes it harder to keep track of deposits for tax sales. – We suggest creating a single account to create one place for all tax sales to flow in and out of.
- Funds from tax sales were not being recorded correctly and need to be recorded to the correct receivable account with expenses related to them applied using the correct expense accounts. – We recommend creating a receivable and expense account specifically for tax sales.
- Additional funds collected from a tax sale were not properly recorded. – We suggest posting these funds to the Escrow Liability Account (Delinquent Property Tax Redeemed – 0-2-000-01.41)
- Funds collected from tax sales were not recorded to the escrow account, and funds refunded to winning bidders from the tax sales were not coming out of the escrow accounts. This makes it harder to determine what is owed back to the winning bidder. – We suggest depositing 100% of funds to the Escrow Account and to refund the winning bidder from the same account.
- Property purchased by the town at tax sales did not receive a check from the town. – We suggest paying the Escrow Account with a check to better keep track of what is bought by the town so funds can be refunded properly back to the town upon repayment by the taxpayer.
- There is no Tax Sale Expense account to post the various legal, advertising, and administrative expenses to. – We suggest creating Tax Sale expense accounts.

➤ Interfund Receivables and Payables

- Currently, the majority of all revenue and expenses, with the exception of the Water/Sewer Fund, flow through the General Fund, creating significant balances owed to and from other funds within the Town. There is no consistent method of repayment between the funds. We strongly suggest that a routine repayment of accounts between the funds be completed so each fund is operating independently.

➤ Reserve and Assigned Accounts

- Currently, there is no mechanism for isolating restricted or assigned funds from general operating cash accounts. We strongly suggest that accounts are established to track the restricted and assigned accounts as appropriate.

➤ JayLyn Funds

- Currently, there is no tracking or accountability with the JayLyn Funds. We strongly recommend that an advisory team be assembled regarding the JayLyn Funds and the use of additional funds for new projects.

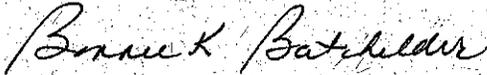
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United

States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Selectmen and management of the Town of St. Johnsbury and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Bonnie K. Batchelder".

Batchelder Associates, PC

TOWN OF ST. JOHNSBURY, VERMONT

AUDIT REPORT

DECEMBER 31, 2011



Batchelder Associates, PC

TOWN OF ST. JOHNSBURY, VERMONT
AUDIT REPORT
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Batchelder Associates, PC

Independent Auditor's Report

To the Board of Selectmen
Town of St. Johnsbury
St. Johnsbury, Vermont

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 St. Johnsbury, Vermont as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of St. Johnsbury, Vermont's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 St. Johnsbury, Vermont as of December 31, 2011 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note XVIII to the financial statements, the Town changed its measurement of the value of long-term receivables in 2010.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison for the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Boards, 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 inquires of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of St. Johnsbury, Vermont's basic financial statements. The combining and individual non-major governmental fund financial statements and schedules of revenue and expenses – budget (non-GAAP budgetary basis) and actual for proprietary funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as whole.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2012, (updated March 4, 2013), on our consideration of the Town of St. Johnsbury, Vermont 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Batchelder Associates, P.C.

Batchelder Associates PC
May 3, 2012 (Updated March 4, 2013)
Vermont License # 945

TOWN OF ST. JOHNSBURY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Management's Discussion and Analysis

As management of the Town of St. Johnsbury, we offer readers of the Town of St. Johnsbury's financial statements this narrative overview and analysis of the financial activities of the Town of St. Johnsbury for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

- The assets of the Town of St. Johnsbury exceeded its liabilities at the close of the most recent fiscal year by \$22,009,320 (*net assets*). Of this amount, \$2,129,164 (*unrestricted net assets*) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net assets increased by \$1,845,785. Of this amount, net assets attributable to governmental activities decreased by \$209,506, and net assets attributable to business-type activities increased by \$2,055,291.
- As of the close of the current fiscal year, the Town of St. Johnsbury's governmental funds reported combined ending fund balances of \$2,546,622, an increase of \$1,781,127 in comparison with the prior year. Of this total amount, \$390,669 is *available for spending* at the government's discretion. Of this balance, \$328,239 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$390,669 or 5.7 percent of unassigned general fund expenditures and operating transfers. The Town's fund balance policy requires that the Town maintain an unassigned general fund balance of 5.0 percent of general fund regular expenditures and operating transfers, or \$344,024 as of the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of St. Johnsbury's basic financial statements. The Town of St. Johnsbury's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the Town of St. Johnsbury's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of St. Johnsbury is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of St. Johnsbury that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of St. Johnsbury include general government, public safety, public works, health and social services, recreation and parks, conservation and development, cultural, and public improvements. The business-type activities of the Town of St. Johnsbury include the municipal arena, solid waste, water, and wastewater operations.

TOWN OF ST. JOHNSBURY, VERMONT
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The government-wide financial statements are designed to include not only the Town of St. Johnsbury itself (*known as the primary government*), but also any legally separate entities for which the Town of St. Johnsbury is financially accountable (*known as component units*). The Town of St. Johnsbury has no such entities that qualify as component units.

The government-wide financial statements can be found in Exhibits A and B of this report.

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 St. Johnsbury, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of St. Johnsbury can be 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.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of St. Johnsbury maintains seven individual governmental funds, including the General Fund, four Special Revenue Funds, one Capital Projects Fund, and one Permanent Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

Proprietary funds. The Town of St. Johnsbury maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of St. Johnsbury uses enterprise funds to account for its Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and the Sewer Fund, all of which are considered to be major funds of the Town of St. Johnsbury.

The basic proprietary fund financial statements can be found in Exhibits F through H of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 St. Johnsbury's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has two fiduciary funds, the Employee Retirement Fund and the Escheat Property Fund (an agency fund).

Notes to the financial statements. The notes provide additional information that is essential to a full 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 ST. JOHNSBURY, VERMONT
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Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes combining statements for various funds, and budgetary comparison statements. The supplementary information can be found immediately following the notes to the financial statements in this report.

Government-wide Financial Analysis

TOWN OF ST. JOHNSBURY, VERMONT'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 5,315,154	\$ 3,224,040	\$ 1,499,240	\$ 3,535,878	\$ 6,814,394	\$ 6,759,918
Capital assets, non-depreciable	269,255	269,255	185,592	185,592	454,847	454,847
Capital assets, depreciable	<u>7,833,455</u>	<u>5,196,810</u>	<u>21,982,498</u>	<u>20,839,612</u>	<u>29,815,953</u>	<u>26,036,422</u>
Total Assets	<u>13,417,864</u>	<u>8,690,105</u>	<u>23,667,332</u>	<u>24,561,082</u>	<u>37,085,194</u>	<u>33,251,187</u>
Long-term liabilities outstanding	4,842,817	173,444	8,702,258	7,007,164	13,545,075	7,180,608
Other liabilities	<u>1,290,656</u>	<u>1,022,764</u>	<u>240,143</u>	<u>4,884,280</u>	<u>1,530,799</u>	<u>5,907,044</u>
Total Liabilities	<u>6,133,473</u>	<u>1,196,208</u>	<u>8,942,401</u>	<u>11,891,444</u>	<u>15,075,874</u>	<u>13,087,652</u>
Net Assets						
Invested in capital assets, net of related debt	4,493,753	5,091,794	13,497,520	9,196,111	17,991,273	14,287,905
Restricted	2,343,732	1,119,900	-	-	2,343,732	1,119,900
Unrestricted	<u>446,906</u>	<u>1,282,203</u>	<u>1,227,411</u>	<u>3,473,527</u>	<u>1,674,317</u>	<u>4,755,730</u>
Total Net Assets	<u>\$ 7,284,391</u>	<u>\$ 7,493,897</u>	<u>\$ 14,724,929</u>	<u>\$ 12,669,638</u>	<u>\$ 22,009,320</u>	<u>\$ 20,163,535</u>

TOWN OF ST. JOHNSBURY, VERMONT
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As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of St. Johnsbury, assets exceeded liabilities by \$22,009,322 at the close of the most recent fiscal year.

By far the largest portion of the Town of St. Johnsbury's net assets (76%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town of St. Johnsbury uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town of St. Johnsbury's investment in its capital assets is reported net of related debt, 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.

An additional portion of the Town of St. Johnsbury's net assets (11%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,674,317 may be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

At the end of the current fiscal year, the Town of St. Johnsbury is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities decreased the Town of St. Johnsbury's net assets by \$262,694 during the current fiscal year. Investment in capital assets, net of related debt, decreased by \$598,041. This increase resulted from the net effect of an increase as a result of continued construction in progress. Restricted net assets increased by \$1,223,832, primarily as a result of unspent bond proceeds. Unrestricted net assets decreased by \$835,297, primarily as a result of created contributions of assets to the restricted category.

**TOWN OF ST. JOHNSBURY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

TOWN OF ST. JOHNSBURY, VERMONT'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 389,896	\$ 381,827	\$ 2,705,614	\$ 2,719,014	\$ 3,095,510	\$ 3,100,841
Operating grants and contributions	719,122	393,272			719,122	393,272
Capital grants and contributions	2,312,952	688,530	2,180,686	2,391,276	4,493,638	3,079,806
General revenues						
Property taxes	4,670,753	4,950,097	19,039		4,689,792	4,950,097
Unrestricted investment earnings	29,966	65,109	2,559	23,913	32,525	89,022
Other revenues	28,793	113,498	80,357	32,100	109,150	145,598
Total Revenues	8,151,482	6,592,333	4,988,255	5,166,303	13,139,737	11,758,636
Expenses						
Governmental activities						
General government	1,329,336	1,528,624			1,329,336	1,528,624
Public safety	2,579,341	1,953,810			2,579,341	1,953,810
Public works	3,162,750	1,717,176			3,162,750	1,717,176
Health and social services	57,628	112,290			57,628	112,290
Recreation and parks	1,261,715	428,356			1,261,715	428,356
Conservation and development		103,979			0	103,979
Cultural	285,416				285,416	
Interest on long-term debt	9,690	14,282			9,690	14,282
Business-type activities						
Water and wastewater			2,661,264	2,632,184	2,661,264	2,632,184
Total Expenses	8,685,876	5,858,517	2,661,264	2,632,184	11,347,140	8,490,701
Change in net assets before transfers	(534,394)	733,816	2326,991	2,534,119	1,792,599	3,267,935
Special Item Adjustments		(700,350)		(137,040)		(837,390)
Transfers	271,700	83,000	(\$271,700)	(83,000)	-	-
Change in net assets	(262,694)	116,466	2,055,291	2,314,079	1,841,276	2,430,545
Net assets-beginning of year, as restated	7,547,085	7,377,431	12,669,638	10,355,559	20,168,046	17,732,990
Net assets - end of year	\$ 7,284,391	\$ 7,493,897	\$ 14,724,929	\$ 12,669,638	\$ 22,009,320	\$ 20,163,535

Financial Analysis of the Government's Funds

As noted earlier, the Town of St. Johnsbury, Vermont, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of St. Johnsbury'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 St. Johnsbury's financing requirements. In particular, unassigned 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 current fiscal year, the Town of St. Johnsbury's governmental funds reported combined

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

ending fund balances of \$2,546,622, an increase of \$1,781,127 in comparison to the prior year. Of this total amount, \$4,517 is non-spendable (permanent fund principal and equipment deposit) and \$1,426,856 is restricted to indicate that it is not available for discretionary spending, because it is otherwise restricted by grant agreements, statutes, or bond covenants. Of the remaining amount, \$787,010 has been assigned by the Town for various purposes, and \$328,239 is unassigned and available for spending at the government's discretion.

The general fund is the chief operating fund of the Town of St. Johnsbury. At the end of the current fiscal year unassigned fund balance was \$390,669, and assigned fund balance was \$742,255. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and operating transfers. Unassigned fund balance represents 5.7 percent of general fund expenditures and operating transfers, while total fund balance represents 35.3 percent of that same amount.

- The fund balance of the Town of St. Johnsbury's general fund increased by \$1,781,127 during the current fiscal year. Key factors in this change are as follows:
- The Town recognized a revenue of \$1,400,000 of Bond proceeds for the Pomerleau Building.
- The Town was transferred \$271,700 from the Water and Sewer Fund.

On August 28, 2011, the State of Vermont, including the Town of St. Johnsbury, was struck by Tropical Storm Irene, causing catastrophic damage to several areas of the Town. Funding was setup to track revenue and expenditures related to the hurricane.

Special revenue funds consist primarily of community development funds. These funds include the Parking Meter Fund, Recreation Fund, Downtown Fund, JayLyn Fund, and Cemetery Fund. Total Special fund balances are \$84,586 of which \$132,276 is attributable to the JayLyn Fund and a deficit balance of (\$50,302) for the Downtown Fund.

Proprietary funds. The Town of St. Johnsbury's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund amounted to \$578,206 and those of the Sewer Fund \$649,203. Unrestricted net assets of the Water Fund increased by \$1,344,380, those of the Sewer Fund increased \$710,911. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of St. Johnsbury's business-type activities.

General Fund Budgetary Highlights

Differences between budgeted amounts and actual amounts can be briefly summarized as follows:

- Intergovernmental revenue was \$288,122 higher than budgeted. This is the result of several new additional grants that were recognized during the year.
- The Town recognized unbudgeted revenue and expenditures related to Tropical Storm Irene in the amount of \$471,370.
- The Town recognized a revenue of \$1,400,000 of Bond proceeds for the Pomerleau Building.

TOWN OF ST. JOHNSBURY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Capital Asset and Debt Administration

Capital assets. The Town of St. Johnsbury's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounted to \$30,270,802 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, roads and bridges, and water and wastewater distribution and collection systems. The investment in net assets increased by 23.0 percent for governmental activities, and decreased 5.4 percent for business-type activities.

Major capital asset events during the current fiscal year included the following: Water and Sewer projects. A portion of the Water and Sewer Project is allocable to roads and storm water. This amount is represented in construction in progress for governmental activities of \$2,815,470.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land – non depreciable	\$ 269,255	\$ 269,255	\$ 185,592	\$ 185,592	\$ 454,847	\$ 454,847
Capital assets – depreciable						
Land Improvements	78,235	89,592			78,235	89,592
Buildings and improvements	482,922	497,499	8,505,916	9,288,461	8,988,838	9,785,960
Vehicles and equipment	1,186,607	1,272,825	1,414,021	1,414,021	2,600,628	2,686,846
Roads, bridges and sidewalks	3,270,221	3,336,894			3,270,221	3,336,894
Construction in progress	<u>2,815,470</u>		<u>12,062,563</u>	<u>10,137,130</u>	<u>14,878,033</u>	<u>10,137,130</u>
Total Assets	\$ <u>8,102,710</u>	\$ <u>5,466,065</u>	\$ <u>22,168,092</u>	\$ <u>21,025,204</u>	\$ <u>30,270,802</u>	\$ <u>26,491,269</u>

Additional information on the Town of St. Johnsbury's net assets can be found in note IV of the notes to financial statements.

Long-term debt. At the end of the current year, the Town of St. Johnsbury had total long-term debt outstanding of \$13,574,107. Of this amount, \$11,830,828 represents bonded debt backed by the full faith and credit of the Town, and \$1,572,547 represents revolving loans issued by the State of Vermont.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds payable	\$ 4,215,470		\$ 7,615,358	\$ 6,246,202	\$ 11,830,828	\$ 6,246,202
Capital lease payable	170,732	326,770			170,732	326,770
Notes payable		47,501		4,469,000		4,516,501
Revolving loans payable	<u>517,335</u>		<u>1,055,212</u>	<u>1,113,891</u>	<u>1,572,547</u>	<u>1,113,891</u>
Totals	\$ <u>4,903,537</u>	\$ <u>374,271</u>	\$ <u>8,670,570</u>	\$ <u>11,829,093</u>	\$ <u>13,574,107</u>	\$ <u>12,203,364</u>

The Town of St. Johnsbury's total debt increased by \$1,370,743 during the year, reflecting repayments on existing debt of \$839,339.

TOWN OF ST. JOHNSBURY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. The current debt limit for the Town of St. Johnsbury is \$116,288,590 which is significantly in excess of the Town of St. Johnsbury's outstanding bonded debt.

Bonds are issued through the Vermont Municipal Bond Bank. The Town issues no bonded debt on its own behalf and does not maintain its own credit rating.

Additional information on the Town of St. Johnsbury's long-term debt can be found in note IX of the notes to financial statements.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the Town is currently 3.3 percent, down from 3.7 percent one year ago. This compares with a 4.6 percent rate state-wide, up from 5.6 percent statewide one year ago.

Health insurance rates have increased significantly as a result of several factors affecting the healthcare industry.

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally outperformed the developments in the U.S. economy overall during the past 12 to 18 months.

All of these factors were considered in preparing the Town of St. Johnsbury's budget for the 2012 fiscal year.

The Town of St. Johnsbury approved a general fund budget for fiscal year 2012 in the amount of \$4,099,209. This represents an increase of \$1,385,361 or 51-percent over the approved budget for the previous year. The large increase is due to \$1,294,580 use of bond proceeds unspent for the Pomerleau building.

Requests for Information

This financial report is designed to provide a general overview of the Town of St. Johnsbury, Vermont's finances for all those with an interest 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 Finance Director, Town of St. Johnsbury, 51 Depot Square, Suite 3, St. Johnsbury, VT 05819.

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Exhibit A

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,906,167	\$ -	\$ 1,906,167
Receivables (net of allowance for uncollectible accounts)			
Taxes receivable	520,258		520,258
Accounts receivable	48,784	504,228	553,012
Grants receivable	1,157,027	290,620	1,447,647
Prepaid expenses	43,578	-	43,578
Internal balances	(704,392)	704,392	-
Restricted assets			
Cash and cash equivalents	1,294,580		1,294,580
Notes and mortgages receivable, (at present value)	1,049,152		1,049,152
Capital Assets (net of accumulated depreciation)			
Land, non depreciable	269,255	185,592	454,847
Land improvements	78,235		78,235
Building and building improvements	482,922	9,879,726	10,362,648
Vehicles and equipment	1,186,607	40,211	1,226,818
Roads, bridges and sidewalks	3,270,221		3,270,221
Construction in progress	2,815,470	12,062,561	14,878,031
Total Assets	13,417,864	23,667,330	37,085,194
LIABILITIES			
Accounts payable	617,607	238,916	856,523
Accrued liabilities	51,825	1,227	53,052
Line of credit	517,335	-	517,335
Deferred revenue	103,889	-	103,889
Non-current liabilities			
Compensated absences payable	64,103	18,988	83,091
Pension liabilities	392,512	12,700	405,212
Due within one year	296,038	403,024	699,062
Due in more than one year	4,090,164	8,267,546	12,357,710
Total Liabilities	6,133,473	8,942,401	15,075,874
NET ASSETS			
Invested in capital assets, net of related debt	4,224,498	13,311,926	17,536,424
Restricted for:			
Notes and mortgages receivables	1,049,152	-	1,049,152
Debt service	1,294,580		1,294,580
Unrestricted	716,161	1,413,003	2,129,164
Total Net Assets	\$ 7,284,391	\$ 14,724,929	\$ 22,009,320

The notes to the financial statements are an integral part of this statement.

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 1,329,336	\$ 241,290	\$ 449,128	\$ -	\$ (638,918)	\$ -	\$ (638,918)
Public safety	2,579,341	138,210	-	52,691	(2,388,440)	-	(2,388,440)
Public works	3,162,750	10,239	269,994	1,054,287	(1,828,230)	-	(1,828,230)
Health and social services	57,628	-	-	-	(57,628)	-	(57,628)
Recreation and parks	1,261,715	157	-	1,205,974	(55,584)	-	(55,584)
Cultural	285,416	-	-	-	(285,416)	-	(285,416)
Interest on long-term debt	9,690	-	-	-	(9,690)	-	(9,690)
Total governmental activities	8,685,876	389,896	719,122	2,312,952	(5,263,906)	-	(5,263,906)
Business-type activities							
Water	1,184,379	1,520,409	-	1,090,344	-	1,426,374	1,426,374
Sewer	1,476,885	1,185,205	-	1,090,342	-	798,662	798,662
	2,661,264	2,705,614	-	2,180,686	-	2,225,036	2,225,036
Total Government & Business-type Activities	\$ 11,347,140	\$ 3,095,510	\$ 719,122	\$ 4,493,638	(5,263,906)	\$ 2,225,036	\$ (3,038,870)
General revenues:							
Property taxes					4,670,751	19,039	4,689,790
Unrestricted investment earnings					29,966	2,559	32,525
Sale of capital assets					2,271	5,760	8,031
Other revenues					26,524	74,597	101,121
Transfers					271,700	(271,700)	-
Total general revenues and transfers					5,001,212	(169,745)	4,831,467
Change in net assets					(262,694)	2,055,291	1,792,597
Net assets-December 31, 2010, as restated					7,547,085	12,669,638	20,216,723
Net assets-December 31, 2011					\$ 7,284,391	\$ 14,724,929	\$ 22,009,320

The notes to the financial statements are an integral part of this statement.

TOWN OF ST. JOHNSBURY, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Exhibit C

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,719,386	\$ 86,343	\$ 100,438	\$ 1,906,167
Receivable (net of allowance for uncollectible accounts)				
Taxes receivable	520,258	-	-	520,258
Accounts receivable	48,784	-	-	48,784
Due from other governments	248,632	908,395	-	1,157,027
Due from other town funds	431,348	-	46,578	477,926
Prepaid expenses	43,578	-	-	43,578
Restricted assets:				
Cash and cash equivalents	1,294,580	-	-	1,294,580
Total Assets	\$ 4,306,566	\$ 994,738	\$ 147,016	\$ 5,448,320
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 273,105	\$ 344,502	\$ -	\$ 617,607
Accrued payroll	51,825	-	-	51,825
Line of credit	-	517,335	-	517,335
Due to other funds	1,021,519	98,369	62,430	1,182,318
Deferred revenue	532,613	-	-	532,613
Total Liabilities	1,879,062	960,206	62,430	2,901,698
Fund Balances				
Non-spendable				
Permanent			4,517	4,517
Restricted for				
Debt service	1,294,580			1,294,580
Special revenue fund			132,276	132,276
Assigned for				
General government	267,095			267,095
Public safety	228,971			228,971
Public works	212,697			212,697
Park and recreation	33,492		10,223	43,715
Capital project funds		34,532		34,532
Unassigned				
General government	390,669			390,669
Special revenue fund			(62,430)	(62,430)
Total Fund Balances	2,427,504	34,532	84,586	2,546,622
Total Liabilities and Fund Balances	\$ 4,306,566	\$ 994,738	\$ 147,016	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 8,102,710
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,477,876
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,842,817)</u>
Net assets of governmental activities	<u>\$ 7,284,391</u>

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit D

	General Fund	Capital Projects Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,741,221	\$ -	\$ -	\$ 4,741,221
Intergovernmental	719,122	-	-	719,122
Charges for current services	336,299	-	53,597	389,896
Investment earnings	18,075	1,235	10,656	29,966
Grants and contributions	1,106,978	1,205,973	-	2,312,951
Repayment of long-term receivable	-	-	71,924	71,924
Other revenues	26,524	-	-	26,524
Total Revenues	6,948,219	1,207,208	136,177	8,291,604
EXPENDITURES				
Current expenditures				
General government	1,015,421	34,911	721	1,051,053
Public safety	2,279,836	4,734	9,243	2,293,813
Public works	2,854,132	-	-	2,854,132
Health and welfare	27,357	30,271	-	57,628
Park and recreation	37,617	1,211,605	12,493	1,261,715
Cultural	279,094	-	-	279,094
Debt service expenditures				
Capital lease transactions	156,038	-	-	156,038
Principal	-	-	-	-
Interest expense	9,690	-	-	9,690
Capital expenditures				
Public safety	221,285	-	-	221,285
Total expenditures	6,880,470	1,281,521	22,457	8,184,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,749	(74,313)	113,720	107,156
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,271	-	-	2,271
Bond proceeds	1,400,000	-	-	1,400,000
Transfers	312,450	-	(40,750)	271,700
Total Other Financing Sources (Uses)	1,714,721	-	(40,750)	1,673,971
Net Change in Fund Balances	1,782,470	(74,313)	72,970	1,781,127
Fund Balances -December 31, 2010	645,034	108,845	11,616	765,495
Fund Balances -December 31, 2011	\$ 2,427,504	\$ 34,532	\$ 84,586	\$ 2,546,622

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
 THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit E

Total Net Change in Fund Balances- Governmental Funds	<u>\$ 1,781,127</u>
Depreciation is not recognized as an expense in governmental funds as it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(422,136)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is capital asset outlay costs incurred in the current year.	221,285
Governmental funds report principal payments on long-term capital leases as expenditures. However, this activity is not reported in the Statement of Activities.	156,038
Governmental funds report principal borrowings on long-term capital as revenue. However, this activity is not reported in the Statement of Activities.	(1,400,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund financial statements. This represents the change in property tax receivable.	(70,469)
Expenses to be paid in future periods reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	
Accrued vacation liability	(64,103)
Pension liability	(392,512)
The repayment of the Town receives on principal of long-term receivables is reported as revenue in the Fund financial statements but is not reported in the government-wide Statement of Activities.	<u>(71,924)</u>
Change in Nets Assets of Governmental Activities	<u>\$ (262,694)</u>

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUND - ENTERPRISE FUND
DECEMBER 31, 2011

Exhibit F

	Major Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	245,750	258,478	504,228
Grants receivable	180,656	109,964	290,620
Due from other funds	308,780	395,612	704,392
Total Current Assets	<u>735,186</u>	<u>\$ 764,054</u>	<u>1,499,240</u>
Non-current Assets			
Land	135,894	49,698	185,592
Building and building improvements	10,463,110	16,617,095	27,080,205
Vehicles and equipment	835,990	578,031	1,414,021
Construction in progress	7,498,349	4,564,212	12,062,561
Property and equipment, net of accumulated depreciation	(5,946,990)	(12,627,299)	(18,574,289)
Total Non-current Assets	<u>12,986,353</u>	<u>9,181,737</u>	<u>22,168,090</u>
Total Assets	<u>\$ 13,721,539</u>	<u>\$ 9,945,791</u>	<u>\$ 23,667,330</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 89,647	\$ 114,850	\$ 204,497
Accrued expenses	32,913		32,913
Accrued interest	34,421		34,421
Bonds payable - current portion	250,528	152,496	403,024
Total Current Liabilities	<u>407,509</u>	<u>267,346</u>	<u>674,855</u>
Non-current Liabilities			
Bonds payable	5,634,831	2,632,715	8,267,546
Total Liabilities	<u>6,042,340</u>	<u>2,900,061</u>	<u>8,942,401</u>
Net Assets			
Invested in capital assets, net of related debt	7,100,993	6,396,527	13,497,520
Unrestricted	578,206	649,203	1,227,409
Total Net Assets	<u>7,679,199</u>	<u>7,045,730</u>	<u>14,724,929</u>
Total Liabilities and Net Assets	<u>\$ 13,721,539</u>	<u>\$ 9,945,791</u>	<u>\$ 23,667,330</u>

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
 PROPRIETARY FUND - ENTERPRISE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit G

	Major Funds:		Total Proprietary Funds
	Water Fund	Sewer Fund	
OPERATING REVENUES			
Charges for services	\$ 1,520,409	\$ 1,185,205	\$ 2,705,614
Interest and penalties	9,519	9,520	19,039
Sale of materials and supplies	5,760		5,760
Miscellaneous income	37,299	37,298	74,597
Total operating revenues	1,572,987	1,232,023	2,805,010
OPERATING EXPENSES			
Personal services	104,703		104,703
Administration expenses	61,598	59,226	120,824
Property taxes	22,543	22,542	45,085
Utilities	97,807	107,750	205,557
Waste disposal fees	471	11,254	11,725
Contract services	22,032	672,369	694,401
Professional services	16,792	16,792	33,584
Equipment operation	7,217	5,552	12,769
Repairs and maintenance	12,724	6,209	18,933
Operating supplies	108,791	5,966	114,757
Insurance expense	32,578	32,577	65,155
Project costs	161,829	1,154	162,783
Depreciation	391,273	391,272	782,545
Total Operating Expenses	1,040,158	1,332,663	2,372,821
Operating Income (Loss)	532,829	(100,640)	432,189
Non-operating Revenues (Expenses)			
Federal Grants	1,090,342	1,090,342	2,180,684
Investment Earnings	1,280	1,279	2,559
Interest Expense	(144,221)	(144,220)	(288,441)
Total Non-operating Revenues (Expenses)	947,401	947,401	1,894,802
Income (Loss) Before Transfers	1,480,230	846,761	2,326,991
Transfers In (Out)	(135,850)	(135,850)	(271,700)
Change in Net Assets	1,344,380	710,911	2,055,291
Total Net Assets - December 31, 2010	6,334,819	6,334,819	12,669,638
Total Net Assets - December 31, 2011	\$ 7,679,199	\$ 7,045,730	\$ 14,724,929

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit H

	Major Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
Cash Flows from Operating Activities			
Cash Received for Services	\$ 1,508,173	\$ 1,160,241	\$ 2,668,414
Other Operating Revenues	52,578	46,818	99,396
Cash Payments to Employees	(104,703)		(104,703)
Cash Payments for Operating Services	(955,572)	(1,420,609)	(2,376,181)
Net Cash Provided (Used) by Operating Activities	<u>500,476</u>	<u>(213,550)</u>	<u>286,926</u>
Cash Flows from Noncapital Financing Activities			
Transfers to Other Funds	(135,850)	(135,850)	(271,700)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(135,850)</u>	<u>(135,850)</u>	<u>(271,700)</u>
Cash Flows from Capital and Related Financing Activities			
Cash Received from Capital Grants	742,825	1,437,862	2,180,687
Cash Paid for Interest	(144,221)	(144,220)	(288,441)
Cash Paid for Construction in Progress	(962,716)	(962,716)	(1,925,432)
Cash Paid to Debt Principal	(1,579,262)	(1,579,261)	(3,158,523)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,943,374)</u>	<u>(1,248,335)</u>	<u>(3,191,709)</u>
Cash Flows from Investing Activities			
Cash Received as Interest Income	1,280	1,279	2,559
Net Cash Provided (Used) by Investing Activities	<u>1,280</u>	<u>1,279</u>	<u>2,559</u>
Net Increase in Cash and Cash Equivalents	<u>(1,577,468)</u>	<u>(1,596,456)</u>	<u>(3,173,924)</u>
Cash & Cash equivalents, January 1, 2011	<u>1,596,456</u>	<u>1,596,456</u>	<u>3,192,912</u>
Cash & Cash equivalents, December 31, 2011	<u>\$ 18,988</u>	<u>\$ -</u>	<u>\$ 18,988</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income	\$ 532,829	(100,640)	\$ 432,189
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	391,273	391,273	782,546
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	(163,911)	(163,911)	(327,822)
Increase in Accounts Payable	100,834	100,833	201,667
Decrease in Unearned Income	(9,436)	(9,437)	(18,873)
Increase in Accrued Expenses	22,838	22,837	45,675
Decrease in Interfund Receivables	(373,951)	(454,505)	(828,456)
Net Cash Provided (Used) by Operating Activities	<u>\$ 500,476</u>	<u>(213,550)</u>	<u>286,926</u>

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
 STATEMENT OF
 FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit I

	Trust Funds	
	Employee Retirement Fund	Escheat Property Fund
Assets		
Cash and Cash Equivalents	\$ 381,003	\$ 644
Prior Year Plan Receivable	1,716	
Investments	7,090,526	-
Total Assets	7,473,245	644
Net Assets		
Held in Trust for Pension Benefits and Other Purposes	7,473,245	644
Total Net Assets	\$ 7,473,245	\$ 644

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
 STATEMENT OF CHANGES IN
 FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2011

Exhibit J

	<u>Trust Funds</u>
	<u>Employee Retirement Fund</u>
Additions:	
Contributions:	
Employer Contributions	\$ 463,940
Employee Contributions	19,834
Investment earnings	
Net Investment Earnings (Realized and Unrealized)	(120,779)
Gain (Loss) on Disposition of Investments	(218,308)
Interest & Dividends	185,884
Total Investments Earnings	(153,203)
Total Additions	330,571
Deductions	
Retirement Benefits	(359,483)
Administrative Expenses	(101,455)
Total Deductions	(460,938)
Changes in Net Assets	(130,367)
Net Assets - December 31, 2010	7,603,612
Nets Assets - December 31, 2011	\$ 7,473,245

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of St. Johnsbury conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the Town of St. Johnsbury, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organizations governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. There are no agencies or entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town of St. Johnsbury include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net assets and the statement of activities display information about the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds; however, interfund services provided and used are not eliminated. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's various enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports on the following major governmental funds:

General Fund. This is the general operating fund of the Town. It accounts for all financial resources of the general government, except those not accounted for in another fund.

Capital Projects Fund. This fund is a capital project fund used to track all revenue and expenditures related to capital expenditures and associated grants. Expenditures consist of various projects to restore, improve and create Town improvements.

The Town reports on the following major enterprise funds:

Water Fund. This fund accounts for the activities of the Town's water supply systems.

Waste Water Fund. This fund accounts for the activities of the Town's wastewater treatment plants and collection systems.

The Town reports on the following non-major governmental fund types:

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has three special revenue funds: the Parking Meter Fund used to record and report the income and expenses associated with the metered parking spaces throughout the Town; the Recreational Fund used to record and report the recreational activities the Town provides largely to youth sports programs; and the Downtown District Fund used to record and report the collection of taxes and payment of debt related to the construction of a parking lot located near Pearl Street and the JayLyn Fund which accounts for notes receivable due under federal lending programs.

Permanent Fund. This fund accounts for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that are for the benefit of the Town or its citizens. Included in this fund type is the Cemetery.

The Town reports on the following fiduciary funds:

Employee Retirement Fund. These funds are used to account for assets held by the Town in trustee capacity for the Employee Retirement Fund. The fund accounts for annual contributions, retiree benefit costs and changes in fair value of account investments.

Escheat Property Fund. These funds are used to account for assets maintained for the benefit of St. Johnsbury School District.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, other postemployment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues and charges for current services associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

All governmental business-type activities and enterprise funds of the Town follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town has elected not to apply FASB Standards issued after November 30, 1989.

D. Measurement focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement focus (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

E. Use of Estimates

The presentation of financial statements in conformity with 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 results could differ from those estimates. The most significant estimates used by the Town are the estimated useful lives used to calculate depreciation of property, plant and equipment and the estimated costs of other postemployment benefits.

F. Assets, Liabilities and Equity

1. Cash

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

State statute does not restrict the types of investments the Town can make. All investments require the authorization of the Board of Selectmen. Investments in the Permanent Fund (Town Trust Fund) are valued at fair value. The investments are registered securities held by the Town or by its agent in the Town's name.

In accordance with GASB 31, "Accounting and Financial Reporting for Certain Investments," investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Accounts receivable are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgement of management and a review of the current status of existing receivables.

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (for the current portion of the interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds."

Accounts receivable from other governments represent amounts due from the State of Vermont for grants reimbursements. Based on experience and because the receivables are in accordance with formal agreements, the Town has not established an allowance for uncollectible receivables.

The Town has long-term receivables accounted for in the JayLyn and Capital Project Funds.

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

3. Receivables (continued)

These are secured by real or personal property. The Town does not actively enforce collection efforts. For the year ended December 31, 2011 the Town has established a present value for all notes receivable and reduced the recognized value of receivables to a realizable amount.

The Town is responsible for assessing and collecting its own property taxes, as well as taxes for the State for school purposes. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are levied during September and are due and payable during November each year.

During the tax year ended December 31, 2011, taxes became due and payable during November, 2011. Taxes paid after due date are subject to a 8% penalty and 1% interest per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale by the delinquent tax collector.

As of December 31, 2011, delinquent taxes receivable were \$520,258, with no allowance for uncollectible taxes.

The tax rate for 2011 is as follows:

	<u>Homestead</u>	<u>Non-Residential</u>
Homestead education tax	\$ 1.1371	\$ -
Non-residential education tax		1.3141
Town general fund appropriations	0.3244	0.3244
Special service	0.3981	0.3981
Highway	0.3009	0.3009
Local agreement tax	0.0013	0.0013
Total	\$ 2.1618	\$ 2.3388

The total amount of deferred revenue for governmental activities is \$428,725.

4. Inventories

The Town does not record inventories of supplies as these amounts are not material in relation to the Town's results of operations. Accordingly, expenditures related to inventories are reported in governmental funds when purchased.

5. Restricted Assets

Certain assets are classified as restricted assets because of bond and government restrictions. Restricted cash represents bond proceeds unspent restricted for the construction improvements of the Pomerleau Building. Restricted notes and mortgage receivables are receivables due under the Federal Revolving Loan program which are restricted in use once proceeds are received under the rules and regulations of the USDA Revolving Loan Fund.

6. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

6. Capital Assets (continued)

assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, using the straight line method of calculating depreciation. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

		Capitalization Threshold	Estimated Service Life
Land improvements	\$	10,000	10-50 years
Buildings and building improvements	\$	20,000	10-75 years
Vehicles and equipment	\$	5,000	3-25 years
Roads, bridges, and sidewalks	\$	20,000	20-75 years
Distribution and collection systems	\$	20,000	20-75 years

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are paid.

7. Compensated Balances

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick time. The accrual for unused vacation time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements, with the general fund being used to liquidate amounts recorded in the government-wide statements. Liability for unused vacation time is not reported in the governmental fund type financial statements unless they have matured. Payments for unused vacation time are recorded as expenditures in the year they are paid. No liability is reported for earned but unused sick time because it is not a vested benefit.

8. Long-term Liabilities

Long-term liabilities include bonds and notes payable, and capital leases payable. Long-term liabilities also include other obligations such as compensated absences and postemployment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

9. Fund Equity

Fund balances and net assets are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net assets in government-wide and proprietary fund type financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Net assets of governmental fund type financial statements are classified as non-spendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters at

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

9. Fund Equity (continued)

town meeting); assigned (reflecting the select board's intended use of the resources); and unassigned.

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements, as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation expense as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report bond proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

A. Governmental Funds Balance Sheet and the Statement of Net Assets

Detailed explanation of the differences between governmental funds balance sheet and government-wide statement of net assets are as follows:

	Total Governmental Funds	Long-term Revenues/ Expenses	Capital- Related Items	Long-term Debt Transactions	Elimination of Due To/From	Statement of Net Assets Total
ASSETS						
Cash	\$ 1,906,167	\$	\$	\$	\$	\$ 1,906,167
Receivable (net of allowance for uncollectible accounts)						
Taxes receivable	520,258					520,258
Accounts Receivable	48,784					48,784
Due from Other Governments	1,157,027					1,157,027
Due from Other Town Funds	477,926				(1,182,318)	(704,392)
Prepaid Expenses	43,578					43,578
Restricted assets:						
Cash and cash equivalents	1,294,580					1,294,580
Notes and mortgages receivable		1,049,152				1,049,152
Capital assets			8,102,710			8,102,710
Total Assets	5,448,320	1,049,152	8,102,710	-	(1,182,318)	13,417,864
LIABILITIES						
Liabilities						
Accounts Payable	617,607					617,607
Accrued Payroll	51,825					51,825
Line of Credit	517,335					517,335
Due to Other Funds	1,182,318				(1,182,318)	-
Deferred Revenue	532,613	(428,725)				103,888
Noncurrent liabilities				4,842,817		4,842,817
Total Liabilities	2,901,698	(428,725)	-	4,842,817	(1,182,318)	6,133,473
NET ASSETS						
Invested in capital assets			8,102,710	(3,608,957)		4,493,753
Other	2,546,622	1,477,877		(1,233,860)		2,790,638
Total Net assets	\$ 2,546,622	\$ 1,477,877	\$ 8,102,710	\$ (4,842,817)	\$	\$ 7,284,391

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)

B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and Statement of Activities.

Detailed explanation of the differences between governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities are as follows:

	Total Governmental Funds	Long-term Revenues/ Expenses	Capital- Related Items	Long-term Debt Transactions	Statement of Net Assets Total
REVENUES					
Taxes	\$ 4,741,221	\$ (70,469)			\$ 4,670,752
Intergovernmental	719,122				719,122
Charges for current services	389,896				389,896
Investment earnings	29,966				29,966
Grants and contributions	2,312,951				2,312,951
Repayment of long-term receivable	71,924	(71,924)			
Other revenues	26,524				26,524
Total Revenues	8,291,604	(142,393)	-	-	8,149,211
EXPENDITURES					
Current expenditures					
General government	1,051,053		97,056	181,227	1,329,336
Public safety	2,293,813		165,523	120,005	2,579,341
Public works	2,854,132		153,235	155,383	3,162,750
Health and welfare	57,628				57,628
Park and recreation	1,261,715				1,261,715
Cultural	279,094		6,322		285,416
Debt service expenditures					
Capital lease transactions	156,038			(156,038)	-
Interest expense	9,690				9,690
Capital expenditures					
Public safety	221,285		(221,285)		-
Total expenditures	8,184,448	-	200,851	300,577	8,685,876
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	107,156	(142,393)	(200,851)	(300,577)	(536,665)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	2,271				2,271
Bond proceeds	1,400,000			(1,400,000)	-
Transfers	271,700				271,700
Total Other Financing Sources (Uses)	1,673,971	-	-	-	273,971
Net Change in Fund Balances	\$1,781,127	\$ (142,393)	\$ (200,851)	\$ (300,577)	\$ (262,694)

General revenues in the government funds were reduced by the net change in property tax receivables of \$70,469 and repayment of long-term debt was reduced by \$71,924 of note payments in the presentation of Program and General revenues in the government-wide revenue categories.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note III. Cash, Cash Equivalents, and Investments

At December 31, 2011, the carrying amount of the Town's deposits with financial institutions was \$3,201,157 and the bank balances were \$3,206,249. These deposits are held in checking accounts, saving accounts, certificates of deposits, and money market accounts. Of the funds on deposit, \$433,900 was covered by the Federal Deposit Insurance Corporation (FDIC), \$2,767,257 was collateralized or insured. The Town has two Irrevocable Letters of Credit with the Federal Home Loan Bank to collateralize its deposits with Passumpsic Savings Bank to \$8,500,000 and with TD Bank to \$3,000,000. \$381,003 held in money market investments is included in this classification in 2011. At December 31, 2011, these money market investments were insured.

None of the Town's cash deposits at year end is subject to credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. The Town does not have policies regarding custodial credit risk, credit risk, concentration of credit risk, interest risk, or foreign currency risk.

The Agent for the Town's retirement fund is authorized to invest funds to be held in the name of the Town's retirement fund in savings banks or trust departments in the State of Vermont; in building and loan or cooperative banks incorporated under State of Vermont laws; in federal savings and loan associations located in the State of Vermont; in bonds, notes, or other obligations of the United States government or legal obligations of any state political subdivision; and in stocks and bonds. All trust fund investments are stated at market value.

At December 31, 2011, trust fund investments were valued at \$7,471,529. Market value of trust fund investments, determined by quoted market prices at December 31, 2011, are as follows:

Corporate Bonds	\$	2,979,294
Corporate Stocks		4,111,231
Total Pension Investments		7,090,525
Money Market Funds		381,003
Total Pension Investments and Cash	\$	7,471,529

The investments have not been rated as to credit risk.

GASB Statement No. 40 requires the Town's investments be categorized indicating the level of risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or securities that are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments which are held by a trust department or agent in the Town's name. At December 31, 2011, all the Town's investments were in Category 1.

Note IV. Interfund Balances and Transfers

1. Interfund Balances: Interfund balances at December 31, 2011 were as follows:

	Receivables	Payables
General Fund	\$	\$ 1,021,519
Special Services	136,179	-
Highway	295,169	-
Parking Meter Fund	-	7,128
Capital Project Fund	-	98,369
Recreation Fund	10,224	-
Downtown District Fund	-	55,302
JayLyn Fund	36,354	-
Water and Sewer Fund	704,392	-
	\$ 1,182,319	\$ 1,182,319

The Special Services and Highway activity presented in the schedule above are components of the General Fund. Town voters approve each activity's budget distinctly and the Town records transactions of each activity distinctly; however, these are included in the General Fund in the Financial Statements.

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note IV. Interfund Balances and Transfers (continued)

1. Interfund Balances: (Continued)

At December 31, 2011 the Town has plans for resolving the interfund balance between the General Fund and Enterprise Fund by adjusting Water/Sewer rates but has not developed plans for resolving the remaining interfund activity. Governmental fund, interfund receivable and payable balances are eliminated in the government-wide Statement of Net Assets.

2. Operating Interfund Transfers: The detail of interfund operating transfers recorded during the year ended December 31, 2011 is as follows:

	Transfers In:		
	General Fund	Special Services Fund	Highway Fund
Transfers Out:			
General Fund	\$ -	\$ -	\$ -
Spec. Services	181,500	-	-
Highway	-	-	-
Parking Meter Fund	18,750	22,000	-
Recreation Fund	-	-	-
Water/Sewer Fund	114,050	-	271,700
	<u>\$ 314,300</u>	<u>\$ 22,000</u>	<u>\$ 271,700</u>

Transfers are used to 1) reimburse the General Fund, Special Services, and Water/Sewer Fund for activity expensed in support of the sourcing funds and 2) to resolve deficits of the Recreation Fund.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note V. Mortgages and Notes Receivable

For the year ended December 31, 2011, the Town adjusted the value of its notes receivable. Notes receivable are segregated in to three categories: 1) for notes past their maturity date with no payments made during the year, the present value is zero; 2) for notes where payments are being made and has reached its maturity date, these notes are stated at face value; and 3) for notes whose payments are deferred, the Town has used an inflation index to calculate a present value. The two columns below present the note receivable face value balance and the Town's expected realizable value at December 31, 2011.

<u>Description</u>	<u>2011 Note Balance</u>	<u>Realizable Amount</u>
<u>JayLyn Fund Receivables</u>		
5% Silver Mtn Graphics note receivable with monthly principal and interest payments of \$283 with a balloon payment of \$12,274 due February 2012. No payments were made during FY2011.	\$ 19,592	\$ 19,592
8.25% New Beginnings note receivable with second security interests on business assets with monthly principal and interest payments of \$204 with final balloon payment of \$8,530 due November, 2009. Payments of \$2,754 made during FY2011 with balance remaining at year end.	4,211	4,211
8.25% St. J Co-op note receivable with monthly principal and interest payments with final payments due March, 2009. Payments of \$1770 were made during FY2011. Note is paid in full as of March, 2011.	-	-
6% NVDA note receivable with a balloon payment of the balance due April, 2016. No payments were made in 2011.	4,369	3,780
7.5 % Vinny's Restaurant note receivable with monthly principal and interest payments of \$401. In 2010, the JayLyn Committee forgave the debt but the Town has taken no action. No payments were made in 2011.	11,148	-
4% Surf & Sirloin note receivable with monthly principal and interest payments of \$276 with final payment due November, 2009. JayLyn Committee approved debt forgiveness but the Town has taken no action. No payments were made during FY2011.	825	-
6.25% Carmel's Tanning note receivable with a balloon payment due September, 2009 of the total accrued interest and principal. No payments were made during FY2011.	2,888	-
6% Caledonia County Fair note receivable with annual principal and interest payments of \$5,000 with final balloon payment of \$77,380 due October, 2011. A payment of \$23,000 was made in 2011. This payment included interest as well as principal.	54,930	54,930
8.25% Dylan's Café note receivable with monthly principal and interest payments of \$408 with final payment due June, 2012. One payment was made in FY2011. Note was paid in full during 2011.	-	-
7.75% Myrick note receivable with a full payment due January, 2016. No payments were made in 2011.	9,998	9,504
5% Lee Anthony note receivable with monthly principal and interest payments of \$138 with final payment due February, 2013. No payments were made in 2011.	6,000	-

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note V. Mortgages and Notes Receivable (continued)

	2011 Note Balance	Realizable Amount
4% Larocque note receivable with monthly principal and interest payments of \$130 with final payment due March, 2011. No payments were made in FY2011.	\$ 1,404	\$ 1,404
4% of St. J. Stitching note receivable with monthly principal and interest payments of \$452 with final payment due March, 2013. No payments were made in 2011.	16,540	16,540
4% Express Fleet Service note receivable with monthly principal and interest payments of \$553 with final payment due June, 2014. One payment of \$6,630 was made in FY 2011.	16,234	16,234
4% Jerelyn note receivable with 3 monthly interest only payments of \$50 then 60 payments of principal and interest payments of \$276 with final payment due October 2014. Partial payments of \$3,312 were made in FY2011.	8,638	8,638
Total JayLyn Fund receivables	\$ 156,777	\$ 134,833

Description:

Capital Projects Fund Receivables

1990 St. Johnsbury Housing Partnership mortgage receivable with interest and principal payments deferred during the loan term due August, 2030.	\$ 369,600	\$ 222,818
3% 1992 Caledonia Housing Partnership mortgage receivable with interest and principal payments deferred during the loan term due December, 2032.	650,000	356,760
0% Northern Senior Housing, LP mortgage receivable with annual payments of principal and interest commencing in 2001. Principal payments are based on a formula due 2031. No principal payments were made in 2011.	480,000	277,689
1% Boxcar and Caboose Bookshop and Café note receivable with monthly principal and interest payments of \$526 with final payment due May, 2013, secured by second security interest in all business property. No payments were made in 2011.	60,000	57,052
6% Elizabeth Enterprise note receivable with monthly principal and interest payments of \$587 with final payment due October, 2006. Note in default with no Town action. No payments were made in FY 2011.	25,000	-
6% Party Central note receivable with monthly principal and interest payments of \$155 with final payment due November, 2007. Note in default with no Town action. No payments were made in FY2011.	6,947	-
Total Capital Project Fund Receivables	1,591,547	914,319
Total long-term mortgages and notes receivable	\$ 1,748,324	\$ 1,049,152

**TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Note VI. Capital Asset Activity

Capital asset activity of the Town for the year ended December 31, 2011 is as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 289,255	\$ -	\$ -	\$ 289,255
Capital assets being depreciated:				
Highway equipment	2,327,810	-	-	2,327,810
General equipment	102,130	-	-	102,130
Fire equipment	1,739,369	26,366	22,026	1,743,709
Police equipment	382,709	216,945	-	579,654
Rec equipment	66,708	-	-	66,708
Parking meter	52,272	-	-	52,272
Land improvements	468,172	-	-	468,172
Infrastructure	3,528,071	-	-	3,528,071
Buildings/improvements	967,284	-	-	967,284
Construction in progress	-	2,815,470	-	2,815,470
Total capital assets, being depreciated	\$ 9,614,525	\$ 3,058,781	\$ 22,026	\$ 12,651,280
	Beginning Balances	Increases	Decreases	Ending Balances
Less Accumulated Depreciation:				
Highway Equipment	\$ 1,486,440	\$ 153,235	\$ -	\$ 1,639,675
General Equipment	46,826	4,449	-	51,275
Fire Equipment	1,488,863	116,867	22,026	1,583,694
Police Equipment	289,753	48,665	-	338,418
Rec Equipment	14,019	6,323	-	20,342
Parking Meters	52,272	-	-	52,272
Land Improvements	378,580	11,357	-	389,937
Infrastructure	191,177	66,673	-	257,850
Buildings/Improvements	469,785	14,577	-	484,362
	<u>4,417,715</u>	<u>422,136</u>	<u>22,026</u>	<u>4,817,825</u>
Being Depreciated, Net	\$ 5,196,810	\$ (178,825)	\$ -	\$ 7,833,455
Net Assets	\$ 5,466,065	\$ (178,825)	\$ -	\$ 6,102,710

Depreciation expense was charged to governmental functions as follows:

General	\$ 97,056
Highway	153,235
Public safety	165,523
Culture & recreation	6,322
Total 2011 governmental depreciation expense	\$ 422,136

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note VI. Capital Assets Activity (continued)

Business-type Activities:	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Existing Balance</u>
Capital Assets: Not Being Depreciated:				
Land	\$ 185,592	\$ -	\$ -	\$ 185,592
Capital Assets: Being Depreciated:				
Buildings	19,485,212	-	-	19,485,212
Improvements Other than Buildings	7,594,993	-	-	7,594,993
Machinery & Equipment	1,414,021	-	-	1,414,021
Construction in Progress	<u>10,137,130</u>	<u>1,925,431</u>	-	<u>12,062,561</u>
Total Assets, Being Depreciated	<u>38,631,356</u>	<u>1,925,431</u>	-	<u>40,556,757</u>
Total Accumulated Depreciation	<u>17,791,744</u>	<u>782,545</u>	-	<u>18,574,289</u>
Total Assets Being Depreciated, Net	<u>20,839,612</u>	<u>1,142,886</u>	-	<u>21,982,498</u>
Business-type Activities Capital Assets, Net	<u>\$ 21,025,206</u>	<u>\$ 1,142,886</u>	<u>\$ -</u>	<u>\$ 22,168,092</u>

Total business-type activities/Water/Sewer Fund depreciation expense for 2011 is \$782,545.

The Town accounts for its general long-term construction contracts by expensing activity in the year in which it occurs and for its proprietary fund long-term construction contracts by capitalizing expenses during the year and reporting that activity as construction in progress until projects are complete.

Note VII. Lease Agreements

1: Lease Revenue: In 2008 the Town entered into a lease agreement with the Northeast Kingdom Chamber of Commerce for Welcome Center rental. The Town received \$24,974 from the Railroad St. rental in 2011.

2: Capital Leases:

In 2006 the Town entered into joint ownership agreement with the Town of Danville, Vermont for the purchase of a tractor. The Town of Danville has joint and equal ownership, usage, and decision-making regarding this equipment. Each municipality is to pay 50% of the lease expense and all operating expenses of the equipment. The tractor acquired through this capital lease has an original cost of \$76,744, accumulated depreciation of \$39,012, and a net value of \$37,732, 50% of which is reported at year end, attributable to the Highway Department of the General Fund. During 2011 the Town paid \$4,878 for their share of the payments relating to lease expense.

In 2008 the Town entered in a capital lease agreement with Kansas State Bank of Manhattan for the lease-purchase of five Town Highway trucks. The contract amount of \$695,094 is to be paid in annual installments of \$151,140 over 5 years, final payment to be made in FY2012. The trucks acquired through this capital lease have an original cost of \$696,143, accumulated depreciation of \$220,446 and a net value of \$475,697 as reported at year end, all of which is attributable to the Highway Department of the General Fund. Total lease payment made this year under this agreement was \$151,140 with \$6,060 of this payment applied to interest and the remainder to principal.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note VII. Lease Agreements (continued)

The following is a schedule of future minimum lease payments under these leases and the present value of the minimum lease payments as of December 31, 2011.

	During the year ended December 31, 2012	\$	156,038
	2013		4,898
	2014		4,898
	2015		4,898
			170,732
Total minimum lease payments			170,732
Lease amount representing interest			(13,348)
			157,384
Future minimum of lease payments		\$	157,384

The gross amount of assets in the government-wide statement of net assets recorded under capital leases as of December 31, 2011 is \$734,515 and the total accumulated amortization of these assets is recorded as depreciation of \$239,952. All assets are included in the general capital assets of the government and the amortization is fully reported in the Highways and Streets expense on the government-wide Statement of Activities.

3. Operating Leases

The Town has leased office equipment in the form of a postage meter, and three photocopiers. The monthly payments for the copiers are \$176, \$130, and \$221 for a period of 36 months, 48 months and 48 months respectively. The quarterly payment for the postage meter is \$281 for 21 quarters.

Total lease payments made this year under these agreements was \$5,880.

Subsequent to year end the Town entered into a lease agreement for the use of a mobile office. The monthly payments for this mobile office are \$238 for a minimum of six months.

The following is a schedule of future lease payments under these leases.

	During the year ended December 31, 2012	\$	2,116
	2013		1,554
	2014		1,056
			4,726
Total		\$	4,726

Note VIII. Short-Term Debt

During the year ended December 31, 2011, the select board authorized tax anticipation notes and a line of credit with Passumpsic Savings Bank to finance General and Water/Sewer fund expenses as follows:

Date Authorized	Amount	Interest Rate	Due Date
February 4, 2011	\$ 500,000	1.67%	12/16/2011
April 18, 2011	1,000,000	1.64%	12/16/2011
August 12, 2011	1,500,000	1.37%	12/16/2011

A \$1,400,000 line of credit was established with Passumpsic Savings to finance the Bike Path Project. The line of credit is dated August 22, 2011, bearing interest at 1.27%, payable and due in full on July 31, 2012. The outstanding balance at December 31, 2011 was \$517,335.

During 2010, the select board authorized a bond anticipation note with TD Bank to finance Water/Sewer fund expenses. The note was paid in full on February 2, 2011. The note was re-bid and awarded to the Community.

National Bank had a line of credit in the amount \$4,469,000, bearing interest at 1.7%, payable and due on September 7, 2011. The line of credit was renewed through March 1, 2012. The line of credit was paid off through permanent financing through the USDA Loan Program on December 20, 2011.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note VIII. Short-Term Debt (continued)

Short-term debt activity for all funds of the Town, for the year ended December 31, 2011, was as follows:

12/31/2010	Proceeds	Payments	12/31/2011
\$ 4,516,501	\$ 8,234,776	\$ 12,233,942	\$ 517,335

Note IX. Long-term Debt

Water/Sewer Fund long-term debt activity for the year ended December 31, 2011 is as follows:

	12/31/2010 Balance	Decreases	Increases	12/31/2011 Balance	Due Within One Year
Bonds Payable	\$ 6,256,375	\$ 294,547	\$ 4,469,000	\$ 10,430,828	\$ 344,262
Loans Payable	1,113,891	58,679	-	1,055,212	58,762
Totals	<u>\$ 7,370,266</u>	<u>\$ 353,226</u>	<u>\$ 4,469,000</u>	<u>\$ 11,486,040</u>	<u>\$ 403,024</u>

* Includes prior year reporting error of \$10,173

Proprietary Fund long-term debt is in the form of long-term notes and bonds. The proceeds of such debt are for improvement of the Town's water and sewer systems including related streets and sidewalk improvements.

4.125% USDA loan payable for sewer system improvements with semi-annual principal and interest payments of \$2,924 each September and March through 2037, with a final payment due March, 2037.	\$ 91,713
0% State of Vermont loan payable for water system improvements with principal only annual payments of \$56,676 beginning in 2009 with final payment in 2028.	963,499
3.65% Vermont Municipal Board Bank bond payable for water and sewer improvements with semi-annual principal payments of between \$265,000 and \$160,000 plus interest with final payment December, 2024.	3,015,000
4.25% USDA \$1,813,000 bond payable for water system improvements with semi-annual principal and interest payments of \$47,338 each in May and November, beginning May 2010 with a final payment due November, 2049.	1,776,614
4.25% USDA \$427,000 bond payable for water system improvements with semi-annual principal and interest payments of \$11,149 each in May and November, beginning May 2010 with a final payment due November, 2049.	418,431
2.50% USDA \$775,000 bond payable for water improvements with semi-annual principal and interest payments of \$15,384 each June and December, with a final payment due December, 2049.	751,783
2.50% USDA \$4,469,000 bond payable for water improvements with semi-annual principal and interest payments of \$102,832 each June and December 15th, commencing June 15, 2012 with a final payment due December, 2042. A portion of this bond is attributable to street and sidewalk improvements and is removed below to be reported with the General Fund long-term debt.	<u>4,469,000</u>
Total long-term notes and bonds payable-Water/Sewer Fund	11,486,040
Less current portion	(403,024)
Attributable to general fund	<u>(2,815,470)</u>
Long-term portion	<u>\$ 8,267,546</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note IX. Long-term Debt (continued)

General Fund long-term debt is in the form of a long-term bond. The proceeds of such debt are for improvement of the Town's Welcome Center.

3.84% Vermont Municipal Board Bank bond payable for the Welcome Center improvements with semi-annual principal payments of \$70,000 plus interest with final payment November, 2031.	\$	1,400,000
2.50% USDA \$4,469,000 bond payable for water improvements with semi-annual principal and interest payments of \$102,832 each June and December 15th, commencing June 15, 2012 with a final payment due December, 2042. A portion of this bond is attributable to street and sidewalk improvements and reported with the General Fund long-term debt.		2,815,470
Capital lease		<u>170,732</u>
Total long-term notes and bonds payable-General Fund		4,386,202
Less current portion		<u>(296,038)</u>
Long-term portion	\$	<u>4,090,164</u>

The following is a summary of annual principal and interest debt service requirements to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Current Portion	\$ 699,062	\$ 385,322	\$ 1,084,384
2014	554,636	368,334	922,970
2015	566,650	350,944	917,594
2016	579,080	333,138	912,218
2017	591,942	314,900	906,842
2018 - 2021	3,112,164	1,284,730	4,396,894
2022 - 2026	1,734,829	872,681	2,607,510
2027 - 2031	1,259,435	706,870	1,966,305
2032 - 2036	1,258,983	637,287	1,796,270
2037 - 2041	1,428,436	341,441	1,769,877
2042 - 2046	911,713	143,546	1,055,259
2047 - 2051	<u>359,792</u>	<u>22,410</u>	<u>382,202</u>
Total	<u>\$13,056,722</u>	<u>\$5,661,603</u>	<u>\$18,718,375</u>

For the year ended December 31, 2011, combined short-term and long-term debt interest expense for all funds was \$298,132.

Note X. Fund Deficits

The Parking Meter fund has a fund deficit of \$7,128 and the Downtown District Fund has a fund deficit of \$55,302. These deficits are the result of accumulated losses in these funds. The deficits are to be resolved over a number of years through a combination of operating transfers from other funds and operating revenues and are part of the unassigned balance of \$328,239.

The General Fund has a fund surplus of \$2,427,504; however, of this, \$1,294,580 is restricted and \$742,255 is assigned, resulting in an unassigned surplus amount of \$390,669.

The beginning governmental fund balances were restated by an increase of \$48,677. This restatement was a result of reporting errors relating to the JayLyn repayments of \$1,176 and debt reporting errors of \$47,501 in 2010.

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note XI. Fund Balances Assigned

At December 31, 2011 the Town had assigned fund balances for the following purposes:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds
Record Restoration	\$ 96,120	\$ -	\$ -
Economic Development	38,342	-	-
Fountain Fund	33,492	-	-
Pomerleau Building	65,000	-	-
Police Equipment	10,000	-	-
Highway Construction	170,000	-	-
Revaluation	67,633	-	-
K9 Unit	3,349	-	-
Highway Equipment	33,314	-	-
EPA-designated	9,383	-	-
Fire Equipment	190,622	-	-
Fire Dept. – Catastrophic OT	25,000	-	-
Recreation Fund	-	-	10,223
Capital Projects Fund	-	34,532	-
Totals	\$ 742,255	\$ 34,532	\$ 80,059

At December 31, 2011 the Town had restricted fund balances for the following purposes:

Debt Service - Pomerleau Bond	\$ 1,294,580
Special revenue – Jaylyn Fund	\$ 132,276
Total	\$ 1,426,856

Note XII. Pension Plan

1. Vermont Municipal Employee Retirement System (VMERS)

Beginning in 2010, new Town employees were eligible to participate in the Vermont Municipal Employees Retirement Systems (VMERS). Requirements for participation are weekly work hours of more than 24 hours per week and 1,040 hours per year.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note XII. Pension Plan (continued)

There are four levels in the System: Group A, Group B, Group C, and Group D. The Town participates in Group B and C. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years. The system is an actuarial service, joint-contributory program. Both the members and the Town make contributions to the fund according to the following schedule:

	Group A	Group B	Group C	Group D
Employees' contributions (% of gross wages)	2.5%	4.5%	9.0%	11.0%
Town's contributions (% of gross wages)	4.0%	5.0%	6.0%	9.5%

Employee contributions are withheld pre-income tax and are remitted to the State of Vermont. The Town's total payroll during the year was \$2,564,739 with \$100,173 of this amount related to employees covered by VMERS. The Town's contribution to VMERS for fiscal year 2011 on behalf of employees was \$1,000 and employee contributions total \$900.

Additional information and ten-year historical trend information is available from the separately issued VMERS Comprehensive Annual Financial Report.

2. Town's Pension Plan

For employees vested prior to January 1, 2010, the Town participates in a single-employer, employee retirement system. The Retirement Plan is administered by People's United Bank. The Retirement Plan does not issue separate financial reports. Assets are held separately and may be used only for the payment of benefits to the members of the Plan. Plan provisions are established by the Town's Board of Selectmen. The Plan covers substantially all of the Town employees who have completed one year of service and work at least 1,000 hours. Normal retirement date is the employees 60th birthday and the completion of 25 years of service with a maximum of 65 years and five years of participation. Normal retirement benefits are 1/50th of employees average monthly salary multiplied by years of credited service up to maximum of 35 years.

Beginning January 1, 2010, Town employees from the Police and Dispatch Departments who are eligible to participate in the Plan do not contribute to the plan. All other Town employees and Fire Department are required to contribute 2% of base salary to the Plan.

Effective February 1, 2010, employees who customarily work less than twenty (20) hours per week or less than five (5) months per year are not eligible to participate in the Plan.

Each year the Board of Selectmen decides the amount of contribution to be made based on the actuarially determined "recommended contribution level" provided by the Town's consulting actuaries. For 2011 the actuarially determined recommended contribution level was \$405,211; the Board of Selectmen authorized a contribution of \$405,212, which was paid February, 2012.

During 2011, the assets of the plan realized a loss of 2.91% as compared to 9.43% in the prior year. The plan is currently 94.6% funded as compared to 99.4% in 2010. Valuation of the plan is based on the applicable provisions of the Employee Retirement Income Security Act and the Pension Protection Act of 2006, as those provisions apply to governmental plans.

During 2011, there were 104 participants of which forty-seven were active, twenty-six retired, six beneficiaries and twenty-five were term vested. The annual contribution is comprised of a normal cost of \$236,186 and an amortization payment of \$142,517 on the frozen liability for a total of \$378,702. Current year projected contribution is calculated at 19.22% of compensation.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note XII. Pension Plan (continued)

2. Town's Pension Plan (continued)

The following is the required supplementary information for the pension plan:

Valuation date	2011 01/01/2012	2010 01/01/2011	2009 01/01/2010
Actuarial Cost Method	Frozen initial liability	Frozen initial liability	Frozen initial liability
Actuarial asset valuation method	Fair market value	Fair market value	Fair market value
Actuarial assumptions:			
Inflation rate	0.0%	0.0%	3.4%
Investment return	7.0%	7.0%	7.0%
Project salary increases	4.0%	4.0%	4.0%
Post-retirement benefit increases	None	None	None
Amortization method	Percent of Payroll	Percent of Payroll	Percent of Payroll
Actuarial value of assets	\$ 7,473,245	\$ 7,571,188	\$ 6,828,970
Actuarial accrued liability	\$ 7,899,588	\$ 7,613,109	\$ 7,428,925
Unfunded liability	\$ 1,716	\$ 41,921	\$ 1,881,311
Unfunded rates	0.6%	0.6%	8.1%
Covered payroll	\$ 1,969,862	\$ 2,173,187	\$ 2,580,673
Unfunded liability - percent of covered payroll	.09%	1.93%	7.29%
Annual contribution	\$ 405,212	\$ 414,993	\$ 421,369
Recommended contribution	\$ 405,211	\$ 401,998	\$ 540,181
Percent of contribution to recommended contribution	100.0%	103.2%	78.0%

Beginning January 1, 2009, the Town changed the retirement funding method. The prior funding method was adopted in 2003 and was intended for a short period. The new funding method amortized the unfunded liability over 30 years, representing a stronger funding method resulting in a lower risk of past service liabilities remaining unfunded at the end of the 30-year amortization period.

Note XIV. Long-Term Contracts/Commitments

The Town has entered into grant and loan agreements to conduct substantial water and sewer system improvements intended to separate storm water runoff from Town sewage. It is anticipated to take several years to complete these projects. The Town records the activity as construction in progress and plans to depreciate these assets once the major sewer and storm water projects are completed.

TOWN OF ST. JOHNSBURY, VERMONT
GENERAL FUNDS - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 4,503,966	\$ 4,741,221	\$ 237,255
Intergovernmental	431,000	719,122	288,122
Charges for current services	237,000	389,896	152,896
Investment earnings	20,000	29,966	9,966
Grants and contributions	144,272	2,312,951	2,168,679
Repayment of long-term receivable	-	71,924	71,924
Other revenues	-	26,524	26,524
Total revenues	<u>5,336,238</u>	<u>8,291,604</u>	<u>2,955,366</u>
EXPENDITURES			
General government	997,602	1,051,053	(53,451)
Public safety	2,283,801	2,293,813	(10,012)
Public works	1,944,981	2,854,132	(909,151)
Health and welfare	29,600	57,628	(28,028)
Park and recreation	6,600	1,261,715	(1,255,115)
Cultural	279,094	279,094	-
Debt service expenditures	-	-	-
Capital lease transactions	200,000	156,038	43,962
Principal	-	-	-
Interest expense	21,060	9,690	11,370
Capital expenditures	-	-	-
Public safety	-	221,285	(221,285)
Total expenditures	<u>5,762,738</u>	<u>8,184,448</u>	<u>(2,421,710)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	2,271	2,271
Bond proceeds	-	1,400,000	1,400,000
Transfers	426,500	271,700	(154,800)
Total other financing sources (uses)	<u>426,500</u>	<u>1,673,971</u>	<u>1,247,471</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 1,781,127</u>	<u>\$ 1,781,127</u>

The notes to the financial statements are an integral part of this statement

TOWN OF ST. JOHNSBURY, VERMONT
COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds				Permanent Fund	Total Non-Major Governmental Funds
	Parking Meter Fund	Recreation Fund	Downtown District Fund	JayLyn Fund	Cemetery Fund	
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ 95,921	\$ 4,517	\$ 100,438
Due from other funds	-	10,223	-	36,355	-	46,578
Total assets	-	10,223	-	132,276	4,517	147,016
LIABILITIES AND FUND BALANCES						
Liabilities						
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Due to other funds	7,128	-	55,302	-	-	62,430
Total liabilities	7,128	-	55,302	-	-	62,430
Fund balances						
Non-spendable						
Permanent	-	-	-	-	4,517	4,517
Restricted for						
Special revenue fund	-	-	-	132,276	-	132,276
Assigned	-	10,223	-	-	-	10,223
Unassigned	(7,128)	-	(55,302)	-	-	(62,430)
Total fund balances	(7,128)	10,223	(55,302)	132,276	4,517	84,586
Total liabilities and fund balances	\$ -	\$ 10,223	\$ -	\$ 132,276	\$ 4,517	\$ 147,016

TOWN OF ST. JOHNSBURY, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, NON-
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds				Permanent Fund	Total Non- Major Governmental Funds
	Parking Meter Fund	Recreation Fund	Downtown District Fund	JayLyn Fund	Cemetary Fund	
Revenues						
Fees & charges for services	\$ 53,441	\$ 157	\$ -	\$ -	\$ -	\$ 53,598
Interest income	-	-	-	10,650	6	10,656
Repayment on long-term receivable	-	-	-	71,924	-	71,924
Total revenues	53,441	157	-	82,574	6	136,178
Expenditures						
Salaries	254	241	-	-	-	495
Social Security	19	-	-	-	-	19
Workmen's compensation	-	2,365	-	-	-	2,365
Group insurance	-	(354)	-	-	-	(354)
Public utility services	4,779	-	-	-	-	4,779
Operating expenditures	4,191	10,242	-	721	-	15,154
Total expenditures	9,243	12,494	-	721	-	22,458
Excess (deficiency) of revenues over (under) expenditures	44,198	(12,337)	-	81,853	6	113,720
Other financing sources (uses)						
Transfers in (out)	(40,750)	-	-	-	-	(40,750)
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	3,448	(12,337)	-	81,853	6	72,970
Fund balances, beginning	(10,576)	22,560	(55,302)	50,423	4,511	11,616
Fund balances, ending	\$ (7,128)	\$ 10,223	\$ (55,302)	\$ 132,276	\$ 4,517	\$ 84,586

