

City of St. Albans, Vermont  
BASIC FINANCIAL STATEMENTS  
June 30, 2010

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**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Board of Aldermen  
and City Manager  
City of Saint Albans, Vermont

We have audited the accompanying basic financial statements of the City of St. Albans, Vermont as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of St. Albans, Vermont's management. Our responsibility is to express an opinion on these basic 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 basic 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of St. Albans, Vermont as of June 30, 2010, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2010, on our consideration of the City of St. Albans, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information on page 26, and Schedule of Funding Progress on page 30, are not a required part of the basic financial statements but are required supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor, Board of Aldermen  
and City Manager  
City of Saint Albans, Vermont  
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Our audit was conducted for the purpose of forming opinions on the basic financial statements of the City of St. Albans, Vermont taken as a whole. The Statement of Expenditures – Budget and Actual – General Fund listed in the Table of Contents is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kittell Branagan August*

St. Albans, Vermont  
December 20, 2010

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2010

This narrative summary of the City of St. Albans' audited financial statements for the year ended June 30, 2010 is presented by management to assist the reader in understanding the overall financial condition of the City. Please note that this section of the *Basic Financial Statements* is unaudited.

The audited financial statements present the City's financial operations in three sections: government-wide financial statements; fund financial statements; and notes to the financial statements. It also presents supplemental financial information, including a budget to actual comparison for the year, of the general fund, and a statement of net assets for funds held in a fiduciary capacity by the City for outside entities. These reports form a single, integrated set of financial statements that together with the footnotes constitute the basic financial statements of the City.

### Financial Highlights

At June 30, 2010 total assets of the City exceeded liabilities by \$15,145,665 (see government-wide statement of net assets, page 1). This total is comprised of \$12,941,899 invested in capital assets, net of related debt; \$345,682 restricted for specific purposes; and an unrestricted balance in the amount of \$1,858,084.

Net assets of individual funds as reported in the government-wide financial statements are as follows at June 30, 2010.

- Governmental Activities: \$345,682, consisting of 8 specific reserve items enumerated in note 13, page 21.
- Proprietary Funds: \$12,138,797, consisting of \$10,947,222 invested in capital assets, net of related debt, \$278,108 restricted for capital improvements and debt payment, and an unrestricted balance of \$913,467.

### Government-Wide Financial Statements

Government-wide financial statements ignore the partitions created by individual funds, bringing the financial activities of the City together using one type of information—accrual-based economic resources. Financial information is organized by whether it relates to *governmental activities*, or *business-type activities*. In general, governmental activities are those accounted for in the governmental funds, while business-type activities are accounted for in enterprise funds.

Generally accepted accounting principles (GAAP) for state and local governments prescribe two basic government-wide financial statements: the government-wide statement of net assets, and the government-wide statement of activities. Together they report assets, liabilities, net assets, revenue and expenses for all governmental and business-type activities of the primary government, but *exclude* those that are fiduciary in character.

The statement of net assets, also known as the statement of position, presents the City's *permanent* accounts: assets, liabilities and net assets. GAAP allows presentation of these accounts in one of two ways:

assets – liabilities = net assets (the net asset approach), or  
assets = liabilities + net assets, (the balance sheet approach).

The City uses the first approach, showing the difference between assets and liabilities as net assets. Over time, increases and decreases in net assets serve as a key indicator of whether the financial position of the City is improving or deteriorating.

GAAP requires that the primary government's activities (those supported primarily by taxes and intergovernmental revenues) be reported separately from its business-type activities (those activities intended to recover all or a significant portion of costs through user fees). The primary governmental activities of the City include general government, public safety, public works, parks and recreation, conservation and development, health and welfare, and public improvements. The business-type activities include water and wastewater operations.

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2010

GAAP requires that government-wide financial statements include not only the City itself (the primary government), but also legally separate entities for which the City is financially accountable (component units). During the period under audit, the City had no responsibility for entities that qualify as component units.

The City's government-wide financial statements (accrual basis) for the fiscal year ended June 30, 2010 may be found on pages 1 and 2.

### **Fund Financial Statements**

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives rather than City operations as a whole. The City of St. Albans, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The funds of the City are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City'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, the reader may better understand the long-term impact of the government's near-term financial decisions.

The City maintains two major governmental funds—the general and community development funds. The basic governmental fund financial statements, modified accrual basis, are presented on pages 3 and 4. At June 30, 2010, the General Fund reported a net increase in the fund balance of \$417,378; The Community Development Fund reported a net increase in the fund balance of \$53,337.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided on page 26 for the purpose of demonstrating compliance with the duly appropriated budget.

**Proprietary funds** are used to account for a government's business-type activities. There are two types of proprietary funds—enterprise funds and internal service funds. Both fund types use the same generally accepted accounting principles (GAAP) as similar businesses in the private sector, and recover the full cost of providing services, including capital costs, through user fees.

The City of St. Albans maintains two **proprietary funds**, which are enterprise funds rather than internal service funds. They are presented as business-type activities in the government-wide financial statements and show operations for the City's Water and Wastewater programs. At June 30, 2010, the Water Fund reported a net increase in its net assets of \$268,626; the Wastewater Fund reported a net increase in its net assets of \$94,146.

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 Wastewater Fund, both of which are considered to be major funds of the City.

Internal service funds are used to account for the financing of goods or services provided by one department of a government to other departments on a cost-reimbursement basis. Services accounted for by internal service funds are tangible, and the extent to which they benefit other departments is easily measured. At this time, the City has no internal service funds.

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
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The basic proprietary fund financial statements (accrual basis) of the City may be found on pages 5 through 7.

*Fiduciary funds*, also known as trust and agency funds, account for assets held by the City in a trustee or agent capacity for individuals, private organizations, other government units, and/or other funds. They are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City.

The City has only one fiduciary fund at this time: the Veterans' Memorial Fund. Its financial presentation may be found on page 8.

*Notes to the Financial Statements*, in conjunction with the financial statements themselves, provide a more complete picture of the City's financial position and the results of its operations. The notes serve to explain, clarify, and expand upon the financial data presented in the financial statements, and provide some additional information as well. The notes can be found immediately following the basic financial statements in this report.

In addition to the basic financial statements and accompanying notes, certain *Supplementary Information* is provided, including a budgetary comparison statement for the general fund. The supplementary information can be found immediately following the notes to the financial statements.

**NET ASSETS**  
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current and other assets	\$ 2,196,769	\$ 1,477,893	\$ 3,674,662
Note receivable	17,117	-	17,117
Capital Assets	3,790,804	19,846,619	23,637,423
<b>TOTAL ASSETS</b>	<b>\$ 6,004,690</b>	<b>\$ 21,324,512</b>	<b>\$ 27,329,202</b>
<b>LIABILITIES</b>			
Long-term liabilities outstanding	\$ 1,170,959	\$ 7,958,082	\$ 9,129,041
Other liabilities	1,826,863	1,227,633	3,054,496
<b>TOTAL LIABILITIES</b>	<b>\$ 2,997,822</b>	<b>\$ 9,185,715</b>	<b>\$ 12,183,537</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 1,994,677	\$ 10,947,222	\$ 12,941,899
Restricted	345,682	-	345,682
Unrestricted	666,509	1,191,575	1,858,084
<b>TOTAL NET ASSETS</b>	<b>\$ 3,006,868</b>	<b>\$ 12,138,797</b>	<b>\$ 15,145,665</b>

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2010

**NET ASSETS**  
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current and other assets	\$ 1,445,625	\$ 1,054,861	\$ 2,500,486
Note receivable	32,579	-	32,579
Capital Assets	3,626,293	16,483,338	20,109,631
<b>TOTAL ASSETS</b>	<b>\$ 5,104,497</b>	<b>\$ 17,538,199</b>	<b>\$ 22,642,696</b>
<b>LIABILITIES</b>			
Long-term liabilities outstanding	\$ 1,402,554	\$ 4,992,854	\$ 6,395,408
Other liabilities	1,523,233	769,322	2,292,555
<b>TOTAL LIABILITIES</b>	<b>\$ 2,925,787</b>	<b>\$ 5,762,176</b>	<b>\$ 8,687,963</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 1,726,179	\$ 11,045,816	\$ 12,771,995
Restricted	210,527	198,108	408,635
Unrestricted	242,004	532,099	774,103
<b>TOTAL NET ASSETS</b>	<b>\$ 2,178,710</b>	<b>\$ 11,776,023</b>	<b>\$ 13,954,733</b>

**Discussion and Analysis**

The change in net assets over time is a key indicator of the City's financial position. At June 30, 2010 the City's assets exceeded liabilities by \$15,145,665; at 6/30/09 the City's assets exceeded liabilities by \$13,954,733; at 6/30/08 assets exceeded liabilities by \$13,635,756, at 6/30/07 assets exceeded liabilities by \$13,456,423. This represents a slightly increasing trend over the three-year period: 1.3% increase 2007:2008; 2.3% increase 2008:2009; 8.5% 2009:2010.

It is important to note that the City's investment in capital assets (equipment, land, buildings and infrastructure) represents 86.6% of total net assets at June 30, 2010. These capital assets provide essential services to the residents and business owners of the City, but are not available for future spending. Therefore, resources to repay the debt supporting these assets must be provided from other resources. Last year it was reported that it was the intent of management to build into future budgets monies to be set aside to pay debt and provide for financial contingencies, and reserves for a long-term capital plan. The 2010 operations achieved that goal.

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2010

**CHANGE IN NET ASSETS (ACCRUAL BASIS)**  
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>REVENUES</b>			
<b>PROGRAM REVENUES</b>			
Charges for services	\$ 1,471,164	\$ 4,251,010	\$ 5,722,174
Operating grants and revenues	1,285,243	-	1,285,243
Property taxes, levied for general purposes	3,810,002	-	3,810,002
Unrestricted investment earnings	5,931	32,861	38,792
Gain on Sale	498,680	-	498,680
<b>TOTAL REVENUES</b>	<b>7,071,020</b>	<b>4,283,871</b>	<b>11,354,891</b>
<b>EXPENSES</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	1,144,117	-	1,144,117
Public safety	3,558,949	-	3,558,949
Public works	520,534	-	520,534
Recreation, health, education and welfare	419,147	-	419,147
Community development	284,619	-	284,619
Depreciation, unallocated	206,832	-	206,832
Interest on long-term debt	76,276	-	76,276
<b>BUSINESS - TYPE ACTIVITIES</b>			
Water	-	1,652,883	1,652,883
Sewer	-	2,268,216	2,268,216
<b>TOTAL EXPENSES</b>	<b>6,210,474</b>	<b>3,921,099</b>	<b>10,131,573</b>
<b>CHANGES IN NET ASSETS</b>	<b>860,546</b>	<b>362,772</b>	<b>1,223,318</b>
<b>NET ASSETS, beginning of year</b>	<b>2,178,710</b>	<b>11,776,025</b>	<b>13,954,735</b>
Prior Period Adjustment	(32,388)	-	(32,388)
<b>NET ASSETS, end of year</b>	<b>\$ 3,006,868</b>	<b>\$ 12,138,797</b>	<b>\$ 15,145,665</b>

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2010

**CHANGE IN NET ASSETS (ACCRUAL BASIS)**  
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>REVENUES</b>			
<b>PROGRAM REVENUES</b>			
Charges for services	\$ 1,211,387	\$ 4,195,232	\$ 5,406,619
Operating grants and revenues	1,458,740	-	1,458,740
Property taxes, levied for general purposes	8,974,613	-	8,974,613
Unrestricted investment earnings	11,766	13,040	24,806
<b>TOTAL REVENUES</b>	<b>11,656,506</b>	<b>4,208,272</b>	<b>15,864,778</b>
<b>EXPENSES</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	951,130	-	951,130
Public safety	3,192,272	-	3,192,272
Public works	470,066	-	470,066
Recreation, health, education and welfare	507,323	-	507,323
Community development	748,394	-	748,394
Depreciation, unallocated	165,288	-	165,288
Interest on long-term debt	25,592	-	25,592
Loss on impairment of investment	312,000	-	312,000
School taxes	5,377,090	-	5,377,090
<b>BUSINESS - TYPE ACTIVITIES</b>			
Water	-	1,511,804	1,511,804
Sewer	-	2,125,398	2,125,398
<b>TOTAL EXPENSES</b>	<b>11,749,155</b>	<b>3,637,202</b>	<b>15,386,357</b>
<b>CHANGES IN NET ASSETS</b>	<b>(92,649)</b>	<b>571,070</b>	<b>478,421</b>
<b>NET ASSETS, beginning of year</b>	<b>2,271,359</b>	<b>11,364,399</b>	<b>13,635,758</b>
Prior Period Adjustment	-	(159,446)	(159,446)
<b>NET ASSETS, end of year</b>	<b>\$ 2,178,710</b>	<b>\$ 11,776,023</b>	<b>\$ 13,954,733</b>

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2010

**SUMMARY OF CAPITAL ASSETS & LONG-TERM DEBT**

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Land	\$ 790,337	\$ 155,000	\$ 945,337
Construction in Progress	30,851	4,202,082	4,232,933
Buildings & Improvements	2,531,105	22,461,485	24,992,590
Machinery and Equipment	1,650,257	4,008,760	5,659,017
Infrasructure	1,040,891	-	1,040,891
	6,043,441	30,827,327	36,870,768
Less: Accumulated Depreciation	(2,252,637)	(10,980,708)	(13,233,345)
 TOTAL ASSETS, net	 \$ 3,790,804	 \$ 19,846,619	 \$ 23,637,423
 LONG-TERM DEBT	 \$ 1,796,127	 \$ 8,579,397	 \$ 10,375,524

**SUMMARY OF CAPITAL ASSETS & LONG-TERM DEBT**

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Land	\$ 790,337	\$ 155,000	\$ 945,337
Construction in Progress	-	314,137	314,137
Buildings & Improvements	2,531,105	22,461,485	24,992,590
Machinery and Equipment	1,470,190	3,943,316	5,413,506
Infrasructure	1,040,891	-	1,040,891
	5,832,523	26,873,938	32,706,461
Less: Accumulated Depreciation	(2,206,230)	(10,390,600)	(12,596,830)
 TOTAL ASSETS, net	 \$ 3,626,293	 \$ 16,483,338	 \$ 20,109,631
 LONG-TERM DEBT	 \$ 1,900,114	 \$ 5,437,522	 \$ 7,337,636

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
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The City's investment in capital assets for its governmental activities totals \$1,994,677 at June 30, 2010. GASB 34 allows an exemption for roads and bridges prior to July 1, 2003. Business-type activities' total capital investment is \$10,947,222.

Major capital investments during the fiscal year ended June 30, 2010 included the following items.

Parsons Meadows Pump Stations 1 & 2 totaled \$63,110  
Police Vehicles and Equipment totaled \$272,290

**Long-Term Debt**

At the end of the current year, the City of St. Albans had total long-term debt outstanding of \$10,375,524. Of this amount, \$3,657,575 is bonded debt backed by the full faith and credit of the City of St. Albans for the water utility.

The City of St. Albans' total long-term debt increased by \$3,037,888 during the year.

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

**Economic Factors**

City Management and City elected officials considered economic factors and the importance of maintaining the level of City services when preparing the 2010 budget, tax rates, and fees to be charged by the enterprise funds. While the unemployment rate in Franklin County has not reached the national average of 9.5 to 9.8% during this period, it has nevertheless crept slowly from 4.2% to 6.9% during the same period. Being sensitive to that statistic, the City held the property tax increase to 3% 2009 to 2010, 1.8% 2010 to 2011. Water and wastewater flat and usage rates increased 5% from 2009 to 2010; however, the increases were partially offset by the elimination of the water fund debt reduction charges and reductions in wastewater surcharges. Flat fees, usage rates and wastewater debt reduction rates were held at 0% from 2009 to 2010 while surcharges decreased 1.3%.

Through prudent, conservative fiscal management the City's three major funds (General, Water and Wastewater) have seen increases to the fund balance and net assets beginning with fiscal year ended June 30, 2007, as follows.

<u>General Fund</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Net Revenue, Modified Accrual Basis	237,040	880,686	25,276
Fund Balance beginning-of-year	512,950	(367,740)	(393,016)
Fund Balance end-of-year	<u>930,328</u>	<u>512,946</u>	<u>(367,740)</u>
% Increase, Fund Balance, from prior year	81%	239.5%	6.4%
<u>Water Fund</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenue, Full Accrual Basis	1,900,576	1,892,135	1,775,887
Expenses, Full Accrual, Incl. Depreciation	<u>1,457,632</u>	<u>1,312,940</u>	<u>1,286,292</u>
Operating Income	442,944	579,195	489,595
Grant Income	-	-	-
Net Operating Expense	<u>(174,318)</u>	<u>(192,795)</u>	<u>(211,777)</u>
Change in Net Assets	268,626	386,400	277,818
Effect of prior period adjustment	-	(101,341)	-
Net Assets, beginning-of-year	2,060,638	1,775,577	1,497,759
Net Assets, end-of-year	<u>2,329,264</u>	<u>2,060,636</u>	<u>1,775,577</u>
% Increase, Net Assets, from Prior Year	13%	16.1%	18.5%

City of St. Albans, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
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<u>Wastewater Fund</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
User Fees, Full Accrual	2,350,434	2,303,097	1,910,123
Expenses, Full Accrual, Incl. Depreciation	<u>2,223,855</u>	<u>2,078,639</u>	<u>2,142,976</u>
Operating Income	126,579	224,458	(232,853)
Net Operating Expense	<u>(32,433)</u>	<u>(39,788)</u>	<u>(51,687)</u>
Change in Net Assets	94,146	184,670	(284,540)
Operating Transfers	-	-	-
Effect of prior period adjustment	-	(58,105)	-
Net Assets, beginning-of-year	9,715,387	9,588,822	9,873,362
Net Assets, end-of-year	<u>9,809,533</u>	<u>9,715,387</u>	<u>9,588,822</u>
% Increase, Net Assets, from Prior Year	.9%	1.3%	(2.9)%

The City is committed to continuing this trend of holding down taxes while maintaining services at an appropriate level and promoting growth in the City through non-property tax sources (see Outlook and Future Development section below).

A City-wide reappraisal of all real estate will be completed in the spring of 2011. The updated Grand List may produce some cost-shifting between residential and commercial property owners.

**Outlook and Future Development**

The City is deeply engaged in several economic developments, transportation, and public infrastructure initiatives designed to increase the tax base.

The Federal Street Multi-modal connector is a new road that will connect the Interstate Access with the City Industrial Park and improve access for Mylan Technologies, the St. Albans Co-op, and Amtrak, while creating several new development lots. This project will be shovel-ready in three years using mostly federal dollars.

The Main Street Streetscaping project will complete a series of pedestrian and traffic enhancements using a complete streets methodology. New wider sidewalks, ornamental street lights with buried power lines, new street trees that help manage stormwater, and a new signage system will help make the downtown a more attractive location for business investment. This \$1.6 million project is presently in design and is likely to break ground in 2012.

The City is pursuing an alternative energy development project for the Fonda site and is in discussions with developers over other development sites that could form the backbone of the City's Tax Increment Finance District. The City has filed an application for a T.I.F. with the Vermont Economic Progress Council.

Using the above strategies to grow the tax base, and continued efforts to gain efficiencies in operations, City Management is committed to continuing the sound financial trajectory that began to emerge in the 2009 fiscal year and has been continued for three years now.

**Requests for information**

This Management Discussion and Analysis is designed to provide the City's citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about the report, or need additional information, please contact the Finance Office at 100 North Main St., St. Albans, VT.

City of Saint Albans, Vermont  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF NET ASSETS  
 June 30, 2010

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 1,313,211	\$ -	\$ 1,313,211
Cash - restricted	481,947	-	481,947
Taxes receivable	258,835	-	258,835
Accounts receivable	55,276	862,144	917,420
Other receivables	-	136,191	136,191
Due from other funds	-	479,558	479,558
Deposit on land	87,500	-	87,500
Current portion notes receivable	17,117	-	17,117
<b>TOTAL CURRENT ASSETS</b>	<u>2,213,886</u>	<u>1,477,893</u>	<u>3,691,779</u>
 <b>CAPITAL ASSETS, net</b>	 <u>3,790,804</u>	 <u>19,846,619</u>	 <u>23,637,423</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 6,004,690</u>	 <u>\$ 21,324,512</u>	 <u>\$ 27,329,202</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>			
Current portion notes and bonds payable	\$ 625,168	\$ 621,315	\$ 1,246,483
Line of credit	-	320,000	320,000
Accounts payable	259,654	1,703	261,357
Accrued liabilities	524,604	174,588	699,192
Deferred revenue	49,385	-	49,385
Due to other funds	368,052	110,027	478,079
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,826,863</u>	<u>1,227,633</u>	<u>3,054,496</u>
 <b>NOTES AND BONDS PAYABLE</b>	 <u>1,170,959</u>	 <u>7,958,082</u>	 <u>9,129,041</u>
 <b>TOTAL LIABILITIES</b>	 <u>2,997,822</u>	 <u>9,185,715</u>	 <u>12,183,537</u>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,994,677	10,947,222	12,941,899
Restricted	345,682	-	345,682
Unrestricted	666,509	1,191,575	1,858,084
<b>NET ASSETS</b>	<u>3,006,868</u>	<u>12,138,797</u>	<u>15,145,665</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 6,004,690</u>	 <u>\$ 21,324,512</u>	 <u>\$ 27,329,202</u>

See Accompanying Notes to Basic Financial Statements.

City of Saint Albans, Vermont  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating	
			Grants and Revenues	Business-Type Activities
				Total
<u>Functions/Programs</u>				
Governmental activities:				
General government	\$ 1,144,117	\$ 245,471	\$ 240,590	\$ (658,056)
Public safety	3,558,949	712,195	183,859	(2,662,895)
Public works	520,534	240,765	175,810	(103,959)
Recreation, health, education and welfare	419,147	272,733	36,050	(110,364)
Community development	284,619	-	648,934	364,315
Depreciation, unallocated	206,832	-	-	(206,832)
Interest on long-term debt	76,276	-	-	(76,276)
Total governmental activities	6,210,474	1,471,164	1,285,243	(3,454,067)
Business-type activities:				
Water	1,652,883	1,900,576	-	247,693
Sewer	2,268,216	2,350,434	-	82,218
Total business-type activities	3,921,099	4,251,010	-	329,911
General Revenues:				
Property taxes, levied for general purposes			3,810,002	3,810,002
Unrestricted investment earnings			5,931	38,792
Gain on Sale			498,680	498,680
Total general revenues and transfers			4,314,613	4,347,474
Change in Net assets			860,546	1,223,318
Net assets, beginning			2,178,710	13,954,735
Prior Period Adjustment			(32,388)	(32,388)
Net assets, ending			\$ 3,006,868	\$ 15,145,665

See Accompanying Notes to Basic Financial Statements.

City of Saint Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2010

	Governmental Fund Types		
	General	Community Development	Totals (Memorandum Only)
<b>ASSETS</b>			
Cash	\$ 1,177,176	\$ 136,035	\$ 1,313,211
Cash - restricted	481,947	-	481,947
Receivables (net of allowances for uncollectibles)			
Taxes, including interest and penalties	258,835	-	258,835
Accounts	49,141	6,135	55,276
	<u>\$ 1,967,099</u>	<u>\$ 142,170</u>	<u>\$ 2,109,269</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 259,315	\$ 339	\$ 259,654
Deferred revenue	48,795	590	49,385
Other accrued expenses	413,146	-	413,146
Due to other funds	315,515	52,537	368,052
	<u>1,036,771</u>	<u>53,466</u>	<u>1,090,237</u>
<b>FUND BALANCE</b>			
Reserved	345,683	-	345,683
Unreserved	584,645	88,704	673,349
	<u>930,328</u>	<u>88,704</u>	<u>1,019,032</u>
	<u>\$ 1,967,099</u>	<u>\$ 142,170</u>	<u>\$ 2,109,269</u>

See Accompanying Notes to Financial Statements.

**Total fund balances - governmental funds** \$ 1,019,032

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 as assets in governmental funds 3,790,803

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Community Development Notes Receivable 17,117  
Accounts Receivable - Other

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Proceeds from new debt 87,500  
Due to employees (3,901)  
Accrued sick time (59,244)  
Accrued vacation (40,177)  
Accrued comp-time (8,135)  
Notes and bonds payable (1,796,127)

**Total net assets - governmental activities** \$ 3,006,868

City of Saint Albans, Vermont  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	Governmental Fund Types		
	General	Community Development	Total Governmental Funds
<b>REVENUES</b>			
Taxes, interest and penalties	\$ 4,059,977	\$ -	\$ 4,059,977
Licenses and permits	79,778	-	79,778
Intergovernmental	515,519	-	515,519
Charges for services	545,033	-	545,033
Recreation department	306,433	-	306,433
Fines	31,351	-	31,351
Interest on savings	5,924	2,759	8,683
Grant revenue	216,935	534,382	751,317
Sale of property	-	1,991	1,991
Miscellaneous	162,456	107,574	270,030
Loan repayments	-	17,691	17,691
TOTAL REVENUES	<u>5,923,406</u>	<u>664,397</u>	<u>6,587,803</u>
<b>EXPENDITURES</b>			
Current:			
General government	943,532	119,102	1,062,634
Public safety	3,690,738	-	3,690,738
Highways and streets	543,308	-	543,308
Sanitation	7,476	-	7,476
Parks and recreation	375,124	-	375,124
Miscellaneous	142,145	70,479	212,624
Grant expenditures	58,175	421,479	479,654
Capital outlays	87,500	-	87,500
Debt Service	211,822	-	211,822
TOTAL EXPENDITURES	<u>6,059,820</u>	<u>611,060</u>	<u>6,670,880</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(136,414)</u>	<u>53,337</u>	<u>(83,077)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Gain on sale	498,680	-	498,680
Proceeds from borrowings	87,500	-	87,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>586,180</u>	<u>-</u>	<u>586,180</u>
EXCESS/(DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	449,766	53,337	503,103
FUND BALANCE AT BEGINNING OF YEAR	<u>512,950</u>	<u>35,367</u>	<u>548,317</u>
PRIOR PERIOD ADJUSTMENT	<u>(32,388)</u>	<u>-</u>	<u>(32,388)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 930,328</u>	<u>\$ 88,704</u>	<u>\$ 1,019,032</u>

See Accompanying Notes to Financial Statements

**Net change in fund balances - governmental funds** \$ 503,103

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Depreciation (206,832)

Capital outlays 371,344

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 191,487

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Notes receivable collected (15,462)

Expenses in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in the funds:

Accrued comptime 794

Accrued sick time 11,248

Accrued vacation time 4,864

**Change in net assets of governmental activities** \$ 860,546

City of Saint Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2010

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals (Memorandum Only)</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Accounts receivable	\$ 375,308	\$ 486,836	\$ 862,144
Unbilled revenue	58,965	77,226	136,191
Due from other funds	<u>479,558</u>	<u>-</u>	<u>479,558</u>
TOTAL CURRENT ASSETS	<u>913,831</u>	<u>564,062</u>	<u>1,477,893</u>
<b>CAPITAL ASSETS</b>			
Land	155,000	-	155,000
Building and improvements	7,319,035	15,142,450	22,461,485
Machinery and equipment	1,111,663	2,897,097	4,008,760
Construction in progress	-	4,202,082	4,202,082
Accumulated depreciation	<u>(3,101,131)</u>	<u>(7,879,577)</u>	<u>(10,980,708)</u>
CAPITAL ASSETS, net	<u>5,484,567</u>	<u>14,362,052</u>	<u>19,846,619</u>
<b>OTHER ASSETS</b>			
Bond refinancing costs			
TOTAL ASSETS	<u>\$ 6,398,398</u>	<u>\$ 14,926,114</u>	<u>\$ 21,324,512</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 1,703	\$ -	\$ 1,703
Other accrued expenses	99,550	75,038	174,588
Due to other funds	-	110,027	110,027
Line of credit	-	320,000	320,000
Current Portion to General Obligation Bonds	76,352	-	76,352
Current Portion General Obligation Notes Payable	<u>128,210</u>	<u>416,753</u>	<u>544,963</u>
TOTAL CURRENT LIABILITIES	<u>305,815</u>	<u>921,818</u>	<u>1,227,633</u>
<b>LONG-TERM LIABILITIES</b>			
General Obligation Bonds, net of current portion	3,581,688	-	3,581,688
General Obligation Notes Payable, net of current portion	<u>181,631</u>	<u>4,194,763</u>	<u>4,376,394</u>
TOTAL LONG-TERM LIABILITIES	<u>3,763,319</u>	<u>4,194,763</u>	<u>7,958,082</u>
TOTAL LIABILITIES	<u>4,069,134</u>	<u>5,116,581</u>	<u>9,185,715</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of debt	1,516,686	9,430,536	10,947,222
Unreserved	708,024	205,443	913,467
Restricted	<u>104,554</u>	<u>173,554</u>	<u>278,108</u>
TOTAL NET ASSETS	<u>2,329,264</u>	<u>9,809,533</u>	<u>12,138,797</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,398,398</u>	<u>\$ 14,926,114</u>	<u>\$ 21,324,512</u>

See Accompanying Notes to Basic Financial Statements

City of Saint Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2010

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals (Memorandum Only)</u>
OPERATING REVENUE			
Charges for services	\$ 1,900,576	\$ 2,350,434	\$ 4,251,010
OPERATING EXPENSES			
Personal services	617,045	864,820	1,481,865
Other purchased services	106,561	115,973	222,534
Supplies	184,087	350,221	534,308
Repairs and maintenance	87,456	287,743	375,199
Utilities and telephone	171,552	171,423	342,975
Real estate taxes	44,311	4,583	48,894
Depreciation and amortization	<u>246,620</u>	<u>429,092</u>	<u>675,712</u>
TOTAL OPERATING EXPENSES	<u>1,457,632</u>	<u>2,223,855</u>	<u>3,681,487</u>
OPERATING INCOME	<u>442,944</u>	<u>126,579</u>	<u>569,523</u>
NON-OPERATING REVENUE (EXPENSE)			
Interest income	20,933	11,928	32,861
Interest expense	<u>(195,251)</u>	<u>(44,361)</u>	<u>(239,612)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(174,318)</u>	<u>(32,433)</u>	<u>(206,751)</u>
CHANGE IN NET ASSETS	268,626	94,146	362,772
NET ASSETS BEGINNING OF YEAR	<u>2,060,638</u>	<u>9,715,387</u>	<u>11,776,025</u>
NET ASSETS END OF YEAR	<u>\$ 2,329,264</u>	<u>\$ 9,809,533</u>	<u>\$ 12,138,797</u>

See Accompanying Notes to Basic Financial Statements

City of Saint Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2010

	Water Fund	Wastewater Fund	Totals (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,857,456	\$ 2,223,134	\$ 4,080,590
Payments to suppliers	(548,602)	(925,723)	(1,474,325)
Payments for employees and benefits	(617,874)	(864,559)	(1,482,433)
Other receipts (payments)	(44,311)	(4,583)	(48,894)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>646,669</u>	<u>428,269</u>	<u>1,074,938</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipts from (payments to) other funds	<u>(252,612)</u>	<u>(38,459)</u>	<u>(291,071)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(30,238)	(4,008,753)	(4,038,991)
Payments of interest	(195,251)	(44,361)	(239,612)
Principal reduction of notes and bonds payable	(189,501)	3,331,376	3,141,875
Reduction of STD	-	320,000	320,000
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(414,990)</u>	<u>(401,738)</u>	<u>(816,728)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of interest	<u>20,933</u>	<u>11,928</u>	<u>32,861</u>
NET DECREASE IN CASH	-	-	-
CASH - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
CASH - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:			
Operating income	\$ 442,944	\$ 126,579	\$ 569,523
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	246,620	429,092	675,712
Change in net assets and liabilities:			
Receivables, net	(44,899)	(130,281)	(175,180)
Prepaid expenses	-	-	-
Unbilled revenue	1,779	2,981	4,760
Accounts payable	1,054	(363)	691
Other accrued expenses	(829)	261	(568)
Net cash provided by operating activities	<u>\$ 646,669</u>	<u>\$ 428,269</u>	<u>\$ 1,074,938</u>

See Accompanying Notes to Basic Financial Statements.

City of Saint Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2010

Agency Fund

Veterans  
Memorial

ASSETS

Cash		\$ 1,501
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TOTAL ASSETS		\$ <u>1,501</u>
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LIABILITIES AND NET ASSETS

Due to others		\$ 22
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Due to other funds		<u>1,479</u>
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TOTAL LIABILITIES AND NET ASSETS		\$ <u>1,501</u>
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See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Albans is a municipal corporation operating under a council-manager form of government. It is governed by 7 elected officials – a mayor and 6 council members. The City is made up of 6 individual wards, each being represented by one of the 6 elected council members. The City Council appoints a City Manager to oversee the general operations of the City.

The City provides the following services to its citizenry: public safety (police, ambulance, fire and animal control), highways and streets, sanitation, parks and recreation, planning and zoning, and general administrative services.

A. Reporting Entity

The financial statements of the City consist only of the funds and account groups of the City. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), and the acquisition or construction of general fixed assets (capital projects). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Fiduciary Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all 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 the City receives cash.

The City reports the following major governmental funds:

- The special revenue fund accounts for special programs and grants that have restricted or designated fund balance.
- The general fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to individuals and business for fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deposits and Investments

The City'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. The City maintains one cash account in the general fund to collect money and pay bills for all funds. When money is collected and expended, the City records a corresponding payable or receivable to the appropriate fund. This helps manage cash and eases administrative burdens. As a result, no cash is reflected in the water or wastewater funds.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of inter-fund loans) or "advances from/to other funds" (i.e., the non-current portion of inter-fund loans).

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, water/sewer lines, etc.) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

General capital assets should be capitalized and recorded when all of the following criteria are met:

- (1) The asset is tangible and complete.
- (2) The asset is used in the operation of the City's activities.
- (3) The asset has a \$5,000 or greater value and useful life over one year at the date of acquisition that meets or exceeds the following:

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, costs of capitalization may include incidental costs, such as bond interest and issuance cost, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

The straight line depreciation method will be used over the estimated useful life of each asset.

G. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets.

H. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Restricted fund balances represent constraints on net asset use due to a) external impositions by creditors, grantors, contributors or laws or regulations of other governments or b) impositions by law through constitutional provisions or enabling legislation.

City of St. Albans, Vermont  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2010

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Allowance for Uncollectible Accounts

The City provides an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

K. Operating Transfers

Operating transfers are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

NOTE 2      DELINQUENT TAXES RECEIVABLE

Delinquent taxes receivable consist of:

	<u>General Fund</u>
Delinquent property taxes	\$ 317,412
Penalties on taxes receivable	24,609
Interest on taxes receivable	15,890
Deferred Revenue	(69,076)
	288,835
Allowance for uncollectible delinquent taxes	(30,000)
Total	\$ 258,835

Property taxes are levied as of July 1 on property values assessed on April 1. The tax levy is divided into four installments. The equal installments are due August 31, November 30, February 28 and May 31. The bill becomes delinquent on June 1 and penalties of 8% may be assessed by the government. Interest is assessed monthly on all outstanding installments.

Deferred revenue consists of property taxes estimated not to be collected within the first 60 days of the fiscal year.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 3 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2010:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 315,515
Water Fund	479,558	-
Wastewater Fund	-	110,027
Veterans Memorial	-	1,479
Community Development Fund	-	<u>52,537</u>
Total	<u>\$ 479,558</u>	<u>\$ 479,558</u>

NOTE 4 ACCRUED COMPENSATION

At June 30, 2010, the City had the following vested benefits earned by their employees:

Vested Compensation - Water	\$ 36,021
Vested Compensation - Waste Water	71,037
Vested Compensation - General	<u>325,930</u>
Total	<u>\$ 432,988</u>

NOTE 5 NOTES AND BONDS PAYABLE

The following is a summary of changes in notes and bonds payable for the year ended June 30, 2010:

<u>Business - Type Activities:</u>	<u>Beginning Balance 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/10</u>
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Note payable to Peoples Trust Co. issued April 19, 2006, interest at 5.00%, due in monthly principal and interest installments of \$3,774.79. Note was re-financed on December 8, 2010. New terms, interest at 3.00%, due in monthly principal and interest installments of \$3,510.62. (This issue is being serviced-principal and interest-by the Water Enterprise Fund.) Matures 2011.

	\$ 79,643	\$ -	\$ 41,572	\$ 38,071
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City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 5      NOTES AND BONDS PAYABLE (continued)

<u>Business - Type Activities:</u> (cont'd)	<u>Beginning Balance 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/10</u>
Note payable to Peoples Trust Co. issued April 19, 2006, interest at 5.00%, due in monthly principal and interest installments of \$3,774.79. Note was re-financed on December 8, 2010. New terms, interest at 3.00%, due in montly principal and interest installments of \$3,510.62. (This issue is being serviced-principal and interest-by the Wastewater Enterprise Fund) Matures 2011.	79,643	-	41,572	38,071
Note payable to Union Bank issued April 24, 2006, interest at 5.25% subject to adjustment in the event there is a change in the Federal Corporate Tax Rate applicable to Union Bank with respect to a period during which the note is outstanding. Due in annual principal and interest installments of \$210,780, payable to Union Bank. (This issue is being serviced-principal and interest-by the Water & Wastewater Enterprise Funds). Matures 2011.	693,339	-	693,339	-
Note payable to Peoples Trust Company, issued January 27, 2010, interest at 2.75%, due in annual principal and interest installments of \$189,164. (This issue is being serviced-principal and interest-by the Water & Enterprise Funds). Matures 2012.	-	543,540	-	543,540
Note payable to Vermont Municipal Bond Bank, issued on December 1, 2009, 0% interest, 2% administrative fee, due in estimated monthly principal and interest installments of \$136,395, term of loan is 20 years.Total amount available is 2,450,000, as of June 30, 2010, a total of \$2,270,995 has been drawn. (This issue is being serviced by the Wastewater Enterprise Fund)	-	2,270,995	-	2,270,995

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 5      NOTES AND BONDS PAYABLE (continued)

<u>Business - Type Activities:</u> (cont'd)	<u>Beginning Balance 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/10</u>
Note payable to Vermont Municipal Bond Bank, issued on November 16, 2009, 0% interest, 2% administrative fee, due in estimated monthly and principal and interest installments of \$146,098, term of loan is 20 years. Total amount available is 2,388,918, as of June 30, 2010, a total of \$1,396,518 has been drawn. (This issue is being serviced by the Wastewater Enterprise Fund). Matures 2031.	-	1,396,518	-	1,396,518
Note payable to Vermont Municipal Bond Bank, \$276,000 available, 2% administrative fee, \$40,270 due annually beginning December 1, 2011. Matures December 1, 2015. (This issue is being serviced-principal and interest-by the Wastewater Fund).	276,000	-	114,918	161,082
Water System Improvement bond issued February 14, 1996, interest at 4.50% due in varying annual installments payable to U.S. Department of Agriculture (This issue is being serviced-principal and interest by the Water Enterprise Fund) Matures February 14, 2036	3,731,069	-	73,029	3,658,040
Note payable to Peoples Trust Co. issued April 21, 2009, interest at 2.75%, due in monthly principal and interest installments of \$10,581. Matures 2014.	573,795	-	112,391	461,404
Note payable to the Vermont Municipal Bond Bank, issued March 23, 2009, \$12,500 available, interest at 0.00% due in annual installments of \$2,500, beginning October 1, 2014.	4,033	7,643	-	11,676
Total Business - Type Activities	<u>\$ 5,437,522</u>	<u>\$ 4,218,696</u>	<u>\$ 1,076,821</u>	<u>\$ 8,579,397</u>

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 5      NOTES AND BONDS PAYABLE (continued)

Anticipated maturities are as follows for the Business-Type Funds:

	Principal	Interest	Total
2011	\$ 621,315	\$ 189,225	\$ 810,540
2012	511,854	221,189	733,043
2013	623,906	255,234	879,140
2014	429,658	239,104	668,762
2015	295,376	229,858	525,234
Thereafter	6,097,288	2,493,725	8,591,013
Total	\$ 8,579,397	\$ 3,628,335	\$ 12,207,732

	Beginning Balance 6/30/09	Additions	Deletions	Ending Balance 6/30/10
<u>Governmental Activities:</u>				
Note payable to the Peoples Trust Co., interest at 4.39%, due August 31, 2025. (This note is being serviced - principal and interest -by the General Fund).	\$ 134,700	\$ -	\$ 5,780	\$ 128,920
Note payable to the Peoples Trust Company for the Nason Street property; interest at 3.75%, due in monthly payments of \$997.17. This note matures December 2016.	76,646	-	8,775	67,871
Note payable to Peoples Trust Company for the purchase of Fonda Building; interest at 2.75%, \$400,000 available. Due July 23, 2010. Refinanced July 23, 2010, interest at 2.25%, due July 23, 2011.	325,816	-	-	325,816
Note payable to Peoples Trust Company for the refinance of 2008 Tax anticipation note, interest at 3.250%, with monthly payments of principal and interest of \$5,285.88. Matures January 7, 2014.	269,888	-	60,216	209,672

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 5      NOTES AND BONDS PAYABLE (continued)

<u>Governmental Activities:</u> (cont'd)	<u>Beginning Balance 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/10</u>
Note payable to Peoples Trust Company for the refinance of Banknorth, N.A. note payable for the purchase of a fire truck, interest at 2.750%, with monthly payments of principal and interest of \$1,763.69. Matures April 28, 2014.	93,743	-	18,807	74,936
Note payable to the Vermont Municipal Bond Bank for retirement of the fund balance deficit in the general fund, interest varies from 1.9% to 4.87%, principal payments of \$100,000 are due November 15, 2010 and 2011, then \$95,000 November 15, 2012. Matures November 15, 2014.	485,000	-	-	485,000
Key Government Finance, interest at 4.24% with annual principal and interest payments of \$40,414. Matures July 15, 2010.	75,873	-	37,132	38,741
Note payable to Peoples Trust Company for the purchase of Little League fields, interest at 2.750% with monthly payments of principal and interest of \$1,562.70. Matures July 2014.	-	87,500	15,156	72,344
Note payable to the Metz's for the purchase of 27-33 Federal Street, interest at 6% until balloon payment on May 28, 2013.	218,963	-	218,963	-
Note payable to Peoples Trust Company for the purchase of 27-33 Federal Street, interest at 3.75%, with monthly payments of principal and interest of \$1,665.73. Matures September 4, 2023.	-	217,434	10,095	207,339
Library bond issued July 22, 1999; interest at 5.0% with semi-annual payments of \$40,000 plus interest. This matures December 1, 2014.	225,000	-	40,000	185,000
Total Governmental Activities	<u>\$ 1,905,629</u>	<u>\$ 304,934</u>	<u>\$ 414,924</u>	<u>\$ 1,795,639</u>

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 5 NOTES AND BONDS PAYABLE (continued)

Anticipated maturities are as follows for the long-term debt of governmental activities:

	Principal	Interest	Total
2011	\$ 625,168	\$ 57,841	\$ 683,009
2012	264,719	39,579	304,298
2013	258,972	30,639	289,611
2014	226,677	22,346	249,023
2015	163,746	14,926	178,672
Thereafter	256,845	47,469	304,314
	\$ 1,796,127	\$ 212,800	\$ 2,008,927

NOTE 6 DEPOSITS AND INVESTMENTS

At June 30, 2010, the carrying amount of the government's deposits was \$1,796,659 and the bank balance was \$908,230 of which \$319,157 was covered by the federal depository insurance corporation, \$589,073 was covered by the right to offset mortgage loans with local banks.

NOTE 7 BUDGETARY INFORMATION

Per the City Charter, the City's General Fund is the only fund that must legally adopt a budget. As such, no comparison of actual to budget revenues, expenditures and changes in fund balance is presented for any other fund.

NOTE 8 ST. ALBANS CITY PENSION PLAN

Plan Description

The City of St. Albans Pension Plan is a single-employer defined benefit pension plan administered by the City of St. Albans. The City of St. Albans Pension Plan provides retirement, disability and death benefits to plan members and beneficiaries. The City of St. Albans established and may amend benefit provisions of the plan. The plan does not issue stand-alone financial statements. Effective January 1, 2010, no new participants will be allowed to enter the plan.

Funding Policy

Plan members are required to contribute 2.5% of Annual Base Earnings, excluding overtime and any other additional compensation. Effective July 1, 2001, a participant may elect to make required contributions of 7.5% of Annual Base Earnings. The City is required to contribute at an actuarially determined rate; the current rate is 5.51% of annual covered payroll.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 8 ST. ALBANS CITY PENSION PLAN (continued)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to The City of St. Albans Pension Plan for the current year were as follows:

Annual required contribution	\$ 74,304
Normal Cost	83,478
Administrative expenses	24,023
Interest on net pension obligation	<u>11,834</u>
Annual pension cost	193,639
Contributions made	<u>(209,825)</u>
Increase (decrease) in net pension obligation	(16,186)
Net pension obligation beginning of year	<u>209,825</u>
 Net pension obligation end of year	 <u>\$ 193,639</u>

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increases of 5% per year, compounded annually, attributable to inflation, (c) the assumption that benefits will not increase after retirement. The actuarial cost method used to calculate the plans normal cost and actuarial accrued liabilities is the Frozen Entity Age Actuarial Cost Method with actuarial accrued liabilities calculated by the Individual Entity Age Actuarial Cost Method.

Five -Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 188,790	100.0%	\$ -
6/30/07	201,180	100.0%	-
6/30/08	152,817	100.0%	-
6/30/09	209,825	100.0%	-
6/30/10	193,639	100.0%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a-b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/10	\$ 3,861,404	\$ 4,249,738	\$ 388,334	90.8	\$ 1,758,956	22.0

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 8 ST. ALBANS CITY PENSION PLAN (continued)

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 9 STATE OF VERMONT MUNICIPAL EMPLOYEES' RETIREMENT PLAN

Effective January 1, 2010, Employees of the City of Saint Albans, Vermont, may elect to participate in the State of Vermont Municipal Employees' Retirement Plan. The system requires that both the City and employees contribute to the Plan which provides retirement, disability and death benefits. The City has elected to participate in two (2) plans; Plan B and Plan C which requires all eligible employees to contribute, 4.5% and 9% respectively, of gross wages while the City contributes 5% and 6%, respectively.

The City of Saint Albans, Vermont pays all costs accrued each year for the plan. The premise of plans B and C is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as the present value of vested and non-vested plan benefits by municipality are not determinable.

Total payroll for the year was \$3,716,100 while covered payroll was \$1,135,957. The City's contributions for the year were \$63,273.

Additional information regarding the State of Vermont Municipal Employees' Retirement Plan is available upon request from the State of Vermont.

NOTE 10 DEFERRED COMPENSATION PLAN

The City also offers its employees a deferred compensation plan through the International City Managers' Association's "ICMA" Retirement Corporation in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self directed by each employee. For each employee not currently participating in the City's defined benefit plan or VMERS, the City will match the employee's contribution in the 457 up to 5%. Employees remaining in the City's defined benefit plan may open a 457 account without a City match. Total Employee Contributions for the year were \$38,318. Total Employer Contributions for the year were \$15,726.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 11      BUDGET EXCEPTIONS

General fund expenditures exceeded budgeted expenditures by \$479,583 for the year ended June 30, 2010. This was offset by revenues and other financing sources that exceeded budgeted amounts by \$929,349.

NOTE 12      RESTRICTED CASH

The City had the following restricted cash at June 30, 2010:

Reappraisal	\$	8,210
Redevelopment		100,000
Federal Street Bypass		12,681
Water and Wastewater Debt Reduction and Capital Reserves		<u>361,056</u>
	\$	<u>481,947</u>

NOTE 13      RESTRICTED RESERVED FUND BALANCE

The City had the following restricted fund balance at June 30, 2010:

Restricted Fund Balances:

Public Works	\$	94,116
General Fund Operating Reserve		74,000
Police		20,000
Fire		20,000
Public Works		20,000
Community Justice Center		1,155
Sidewalks		16,411
DT Revitalization		<u>100,000</u>
Total Restricted Fund Balances	\$	<u>345,682</u>

Reserved Fund Balances:

Water Fund		
Capital and Deficit Reduction	\$	<u>104,554</u>
Wastewater Fund		
Capital and Deficit Reduction		<u>173,554</u>
Total Reserved Fund Balances	\$	<u>278,108</u>

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 13      RESTRICTED RESERVED FUND BALANCE (cont'd)

Public Works – Restricted as a result of voter approval in a prior year.

Redevelopment – On December 23, 2008, the City received \$100,000 from JLD Properties of St. Albans, LLC, in accordance with conditions described in a Settlement Agreement dated November 19, 2008 between the City and JLD Davis Properties, and the State of Vermont Environmental Court Order, Docket No. 116-6-08 Vtec. According to the Agreement and Order, the purpose of this and related payments by JLD Properties to the City is the development and renovation of the downtown core of the City. Accordingly, the \$100,000 payment has been restricted for such use, and is not available for general government operations.

NOTE 14      CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 790,337	\$ -	\$ -	\$ 790,337
Construction in progress	<u>-</u>	<u>30,851</u>	<u>-</u>	<u>30,851</u>
Total capital assets, not being depreciated	<u>790,337</u>	<u>30,851</u>	<u>-</u>	<u>821,188</u>
Capital assets, being depreciated				
Buildings and improvements	2,531,105	-	-	2,531,105
Machinery and Equipment	1,470,190	340,492	(160,425)	1,650,257
Infrastructure	<u>1,040,891</u>	<u>-</u>	<u>-</u>	<u>1,040,891</u>
Total capital assets, being depreciated	<u>5,042,186</u>	<u>340,492</u>	<u>(160,425)</u>	<u>5,222,253</u>
Accumulated depreciation for				
Buildings and improvements	(1,359,639)	(44,316)	-	(1,403,955)
Machinery and Equipment	(825,537)	(142,792)	160,425	(807,904)
Infrastructure	<u>(21,054)</u>	<u>(19,724)</u>	<u>-</u>	<u>(40,778)</u>
Total accumulated depreciation	<u>(2,206,230)</u>	<u>(206,832)</u>	<u>160,425</u>	<u>(2,252,637)</u>
Total capital assets, being depreciated, net	<u>2,835,956</u>	<u>133,660</u>	<u>-</u>	<u>2,969,616</u>
Governmental activities, capital assets, net	<u>\$ 3,626,293</u>	<u>\$ 164,511</u>	<u>\$ -</u>	<u>\$ 3,790,804</u>

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 14 CAPITAL ASSETS (continued)

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water utility:				
Capital assets, not being depreciated				
Land	\$ 155,000	\$ -	\$ -	\$ 155,000
Total capital assets, not being depreciated	<u>155,000</u>	<u>-</u>	<u>-</u>	<u>155,000</u>
Capital assets, being depreciated				
Buildings and improvements	7,319,035	-	-	7,319,035
Machinery and equipment	<u>1,130,315</u>	<u>30,239</u>	<u>(48,891)</u>	<u>1,111,663</u>
Total capital assets, being depreciated	<u>8,449,350</u>	<u>30,239</u>	<u>(48,891)</u>	<u>8,430,698</u>
Accumulated depreciation for:				
Buildings and improvements	(2,316,320)	(215,885)	-	(2,532,205)
Machinery and equipment	<u>(587,082)</u>	<u>(30,735)</u>	<u>48,891</u>	<u>(568,926)</u>
Total accumulated depreciation	<u>(2,903,402)</u>	<u>(246,620)</u>	<u>48,891</u>	<u>(3,101,131)</u>
Total capital assets, being depreciated, net	<u>5,545,948</u>	<u>(216,381)</u>	<u>-</u>	<u>5,329,567</u>
Water utility, capital assets, net	<u>5,700,948</u>	<u>(216,381)</u>	<u>-</u>	<u>5,484,567</u>
Wastewater utility:				
Capital assets, not being depreciated				
Construction in progress	<u>314,137</u>	<u>3,887,945</u>	<u>-</u>	<u>4,202,082</u>
Total capital assets, not being depreciated	<u>314,137</u>	<u>3,887,945</u>	<u>-</u>	<u>4,202,082</u>
Capital assets, being depreciated				
Buildings and improvements	15,142,450	-	-	15,142,450
Machinery and equipment	<u>2,813,002</u>	<u>120,808</u>	<u>(36,713)</u>	<u>2,897,097</u>
Total capital assets, being depreciated	<u>17,955,452</u>	<u>120,808</u>	<u>(36,713)</u>	<u>18,039,547</u>
Accumulated depreciation for:				
Buildings and improvements	(5,724,890)	(341,818)	-	(6,066,708)
Machinery and equipment	<u>(1,762,309)</u>	<u>(87,273)</u>	<u>36,713</u>	<u>(1,812,869)</u>

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 14 CAPITAL ASSETS (continued)

<u>Business-type activities: (cont'd)</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Total accumulated depreciation	<u>(7,487,199)</u>	<u>(429,091)</u>	<u>36,713</u>	<u>(7,879,577)</u>
Total capital assets, being depreciated, net	<u>10,468,253</u>	<u>(308,283)</u>	<u>-</u>	<u>10,159,970</u>
Wastewater utility, capital assets, net	<u>10,782,390</u>	<u>3,579,662</u>	<u>-</u>	<u>14,362,052</u>
Business-type activities, capital assets, net	<u>\$ 16,483,338</u>	<u>\$ 3,363,281</u>	<u>\$ -</u>	<u>\$ 19,846,619</u>

NOTE 15 SHORT-TERM DEBT

The following is a summary of changes in short-term debt for the year ended June 30, 2010:

	<u>Ending Balance 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/10</u>
Line of Credit (Wastewater Fund) Peoples Trust Co. \$1,000,000 available, interest at 2.50%, due February 1, 2011	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ (680,000)</u>	<u>\$ 320,000</u>

NOTE 16 NOTE RECEIVABLE

The following is a summary of notes receivable at June 30, 2010:

Various local business, interest varies from 1% - 4%	\$ 111,117
Allowance for uncollectible notes	<u>(94,000)</u>
Total	<u>\$ 17,117</u>

NOTE 17 SUBSEQUENT EVENT

In accordance with FASB Accounting Standards, the City has evaluated subsequent events through December 20, 2010, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2010, have been incorporated into these financial statements herein.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

NOTE 18      PRIOR PERIOD ADJUSTMENT

The beginning net assets in the General fund have been adjusted to correct errors in calculating prior year accruals and interfund accounts:

General Fund	<u>\$      (32,388)</u>
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NOTE 19      POLLUTION REMEDIATION OBLIGATIONS

On August 2, 2010, a Corrective Action Plan was prepared for the City of Saint Albans, Vermont. Remedial actions are necessary at a property owned by the City of Saint Albans, Vermont. The remedial actions are being undertaken by the City voluntarily. The estimated liability for the cleanup costs at June 30, 2010 were \$160,618-\$790,505. The City has received \$680,000 of grant awards to offset the estimated cleanup costs as of June 30, 2010. The City estimates that additional grant funds will be available to offset the remainder of the cleanup costs so has elected not to record any pollution remediation obligations in their financial statements.

NOTE 20      CONTINGENT LIABILITY

In the fall of 2009 the decision was made by City management to reduce in force the full-time firefighting staff as a cost-saving measure. The reduction in force was carried out in September, 2009. To ensure that the safety of residents and business owners would not be diminished by the reduction in force, the decision included contracting with the Town of St. Albans for additional fire services through increased collaboration and coordination, particularly through the services of the Town's call force. In response, the union filed a grievance which went to binding arbitration. The City and Union have collaborated in an effort to implement the arbitrator's order. At June 30, 2010, the liability (if any) is not determinable. As such, no accrual has been reflected in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Saint Albans, Vermont  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes, interest and penalties	\$ 3,949,156	\$ 3,949,156	\$ 4,059,977	\$ 110,821
Licenses and permits	87,000	87,000	79,778	(7,222)
Intergovernmental	521,583	521,583	515,519	(6,064)
Charges for services	487,736	487,736	545,033	57,297
Recreation department	365,859	365,859	306,433	(59,426)
Fines	45,000	45,000	31,351	(13,649)
Interest on savings	13,000	13,000	5,924	(7,076)
Grant revenue	61,878	61,878	216,935	155,057
Miscellaneous	49,025	49,025	162,456	113,431
<b>TOTAL REVENUES</b>	<u>5,580,237</u>	<u>5,580,237</u>	<u>5,923,406</u>	<u>343,169</u>
<b>EXPENDITURES</b>				
Current:				
General government	764,194	764,194	943,532	(179,338)
Public safety	3,634,694	3,634,694	3,690,738	(56,044)
Highways and streets	509,890	509,890	543,308	(33,418)
Sanitation	7,776	7,776	7,476	300
Parks and recreation	414,938	414,938	375,124	39,814
Miscellaneous	97,833	97,833	142,145	(44,312)
Grant expenditures	15,000	15,000	58,175	(43,175)
Capital outlay	-	-	87,500	(87,500)
Debt service	135,912	135,912	211,822	(75,910)
<b>TOTAL EXPENDITURES</b>	<u>5,580,237</u>	<u>5,580,237</u>	<u>6,059,820</u>	<u>(479,583)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(136,414)</u>	<u>(136,414)</u>
<b>OTHER FINANCING SOURCES</b>				
Gain on sale	-	-	498,680	498,680
Proceeds from borrowings	-	-	87,500	87,500
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>-</u>	<u>586,180</u>	<u>586,180</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>-</u>	<u>-</u>	<u>449,766</u>	<u>449,766</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>512,950</u>	<u>512,950</u>	<u>512,950</u>	<u>-</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(32,388)</u>	<u>(32,388)</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 512,950</u>	<u>\$ 512,950</u>	<u>\$ 930,328</u>	<u>\$ 417,378</u>

OTHER SUPPLEMENTARY INFORMATION

City of Saint Albans, Vermont  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>General Government</u>				
City Council				
Personal services	\$ 10,000	\$ 10,000	\$ 18,746	\$ (8,746)
Other purchased services	-	-	3,326	(3,326)
Total City Council	<u>10,000</u>	<u>10,000</u>	<u>22,072</u>	<u>(12,072)</u>
City Manager				
Personal services	102,408	102,408	117,333	(14,925)
Supplies	42,778	42,778	52,389	(9,611)
Other purchased services	3,400	3,400	8,767	(5,367)
Total City Manager	<u>148,586</u>	<u>148,586</u>	<u>178,489</u>	<u>(29,903)</u>
Senior Center	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Community Economic Development	<u>213,252</u>	<u>213,252</u>	<u>304,993</u>	<u>(91,741)</u>
Elections	<u>4,500</u>	<u>4,500</u>	<u>4,079</u>	<u>421</u>
Financial Administration				
Personal services	151,866	151,866	149,684	2,182
Supplies	22,170	22,170	26,549	(4,379)
Other purchased services	211,820	211,820	255,666	(43,846)
Total Financial Administration	<u>385,856</u>	<u>385,856</u>	<u>431,899</u>	<u>(46,043)</u>
Total General Government	<u>764,194</u>	<u>764,194</u>	<u>943,532</u>	<u>(179,338)</u>
<u>Public Safety</u>				
Police				
Personal services	1,649,009	1,649,009	1,677,367	(28,358)
Supplies	56,100	56,100	73,214	(17,114)
Other purchased services	109,982	109,982	50,539	59,443
Community justice center	55,000	55,000	94,075	(39,075)
Property	24,807	24,807	49,963	(25,156)
Total Police	<u>1,894,898</u>	<u>1,894,898</u>	<u>1,945,158</u>	<u>(50,260)</u>
Ambulance Services	<u>74,760</u>	<u>74,760</u>	<u>74,760</u>	<u>-</u>
Fire				
Personal services	743,382	743,382	673,770	69,612
Supplies	17,500	17,500	20,783	(3,283)
Other purchased services	46,500	46,500	99,512	(53,012)
Property	40,000	40,000	76,041	(36,041)
Total Fire	<u>847,382</u>	<u>847,382</u>	<u>870,106</u>	<u>(22,724)</u>

City of Saint Albans, Vermont  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Public Safety (cont'd)</u>				
Animal Control				
Supplies	5,050	5,050	1,489	3,561
Miscellaneous	-	-	30	(30)
Other purchased services	<u>22,415</u>	<u>22,415</u>	<u>23,750</u>	<u>(1,335)</u>
Total Animal Control	<u>27,465</u>	<u>27,465</u>	<u>25,269</u>	<u>2,196</u>
Dispatching				
Personal services	696,412	696,412	682,323	14,089
Supplies	10,600	10,600	11,074	(474)
Other purchased services	44,524	44,524	42,905	1,619
Property	<u>38,653</u>	<u>38,653</u>	<u>39,143</u>	<u>(490)</u>
Total Dispatching	<u>790,189</u>	<u>790,189</u>	<u>775,445</u>	<u>14,744</u>
Total Public Safety	<u>3,634,694</u>	<u>3,634,694</u>	<u>3,690,738</u>	<u>(56,044)</u>
<u>Highways and Streets</u>				
Administration				
Personal services	63,695	63,695	72,714	(9,019)
Supplies	5,000	5,000	1,083	3,917
Other purchased services	11,500	11,500	8,662	2,838
Property	<u>23,000</u>	<u>23,000</u>	<u>756</u>	<u>22,244</u>
Total Administration	<u>103,195</u>	<u>103,195</u>	<u>83,215</u>	<u>19,980</u>
Streets				
Personal services	143,345	143,345	138,122	5,223
Supplies	142,000	142,000	139,013	2,987
Other purchased services	111,250	111,250	178,615	(67,365)
Property	<u>10,100</u>	<u>10,100</u>	<u>4,343</u>	<u>5,757</u>
Total Streets	<u>406,695</u>	<u>406,695</u>	<u>460,093</u>	<u>(53,398)</u>
Total Highways and Streets	<u>509,890</u>	<u>509,890</u>	<u>543,308</u>	<u>(33,418)</u>
Sanitation				
Solid waste district	<u>7,776</u>	<u>7,776</u>	<u>7,476</u>	<u>300</u>
Parks and Recreation				
Personal services	190,157	190,157	221,152	(30,995)
Supplies	25,800	25,800	22,086	3,714
Other purchased services	165,620	165,620	98,162	67,458
Property	<u>33,361</u>	<u>33,361</u>	<u>33,724</u>	<u>(363)</u>
Total Parks and Recreation	<u>414,938</u>	<u>414,938</u>	<u>375,124</u>	<u>39,814</u>

City of Saint Albans, Vermont  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Highways and Streets (cont'd)</u>				
Miscellaneous				
Personal services - employee benefits	7,851	7,851	31,809	(23,958)
Insurance	33,335	33,335	54,290	(20,955)
Court diversion	2,450	2,450	2,400	50
Taxes	54,197	54,197	53,646	551
Total Miscellaneous	<u>97,833</u>	<u>97,833</u>	<u>142,145</u>	<u>(44,312)</u>
Grant Expenditures				
Police block grant	-	-	58,175	(58,175)
Public works grant	15,000	15,000	-	15,000
Total Grant Expenditures	<u>15,000</u>	<u>15,000</u>	<u>58,175</u>	<u>(43,175)</u>
Capital Outlay				
Land deposit	-	-	87,500	(87,500)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>87,500</u>	<u>(87,500)</u>
Debt Service				
Principal	100,909	100,909	145,763	(44,854)
Interest	35,003	35,003	66,059	(31,056)
Total Debt Services	<u>135,912</u>	<u>135,912</u>	<u>211,822</u>	<u>(75,910)</u>
TOTAL EXPENDITURES	<u>\$ 5,580,237</u>	<u>\$ 5,580,237</u>	<u>\$ 6,059,820</u>	<u>\$ (479,583)</u>

City of Saint Albans, Vermont  
Schedules of Funding Progress-Pension Plan  
June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/ (c)
6/30/10	\$ 2,852,705	\$ 3,473,388	\$ 620,683	82.1%	\$ 1,945,793	31.9%
6/30/09	3,085,351	3,655,845	570,494	84.4%	2,135,480	26.7%
6/30/08	3,484,396	4,001,831	517,435	87.1%	1,788,568	28.9%