



# SAINT ALBANS

*Vermont*



## **Request for Proposal**

**\$14.5 Million**

**Tax Increment Financing**

**General Obligation Bond**

**Contact: Dominic Cloud, City Manager**

**(802) 524-1500 Ext 254**

**City of St. Albans**  
**Bond Sale Supplemental Materials**  
**November 4, 2013**

The City of St. Albans seeks proposals for up to \$14.5 million of general obligation bonds, of which \$3 million is a refinance of short-term debt. Debt proceeds will be utilized for implementation of the City's Tax Increment Finance Program (TIF). The St. Albans TIF has been unanimously approved by the State of Vermont's Economic Progress Council. Local voters have authorized a \$42.5 million debt ceiling and up to \$16 million for brownfield remediation, streetscaping, intersection improvements, and construction of a 370 space downtown parking garage. All votes have been approved by over two-to one margins, with the parking garage receiving 77 percent approval.

The parking garage is the critical piece of public infrastructure that supports the City's downtown revitalization efforts. The garage will serve the general public as well as two private development projects. The first project is a 47,000 square foot Class A office space, which will be leased to the State of Vermont and bring 170 office workers downtown every day to work. The second is planned to be an 88 room downtown hotel or other large commercial development.

The State of Vermont is seeking new space for their regional offices in anticipation of the pending sale of their existing office building. The existing State Office Building will be sold to Mylan Technologies, who is seeking to expand their adjacent pharmaceutical manufacturing business. The new State Office Building has received all necessary permits and is scheduled to begin construction on December 4, 2013. The parking garage is not contingent upon the hotel; the City can service the debt using tax increment already created within the district as well as the tax increment provided by two office buildings.

These bonds are guaranteed by the full faith and credit of the City of St. Albans. As indicated in the enclosed materials, the City intends to service the bonds using a combination of real property tax increment, working capital reserve funds, transfers from enterprise funds, and personal property tax increment.

The information contained in these materials does not constitute an offer to sell any debt obligations of the City of St. Albans. Notes and bonds of the City to finance the improvements described herein shall be offered for sale pursuant to a formal solicitation. The City has no reason to believe that the information contained herein is not complete, accurate and timely. However, persons expressing an interest in purchasing debt obligations of the City are strongly encouraged to inquire further into the financial, managerial and administrative affairs of the City and its tax increment financing district improvements.

Financing proposals may be submitted in accordance with the attached Bond Sale Notice.

For more information, contact:

Dominic Cloud  
City Manager  
d.cloud@stalbansvt.com  
(802) 309 - 1775

# St Albans - Bond

11/1/2013

## Uses of Funds

	<u>DRAFT Bond Budget</u>
Property Acquisition, abatement and demolition	885,000
Construction - Garage and Site	8,355,000
Lake & Federal Intersection Improvements	300,000
Ace Brownfield Remediation	1,700,000
Streetscape Project	400,000
Professional Services, Financing Costs & Misc soft costs	1,400,000
Working Capital	1,350,000
Contingency	450,000
	<u>14,840,000</u>
Other Sources	
Water-Sewer Funds	(340,000)
	<u>14,500,000</u>
Net Amount for Bond	14,500,000

\$14,500,000 Tax Increment Financing General Obligation Bond Issue

Financing Narrative

The attached TIF Bond Cash Flow Projection incorporates the following assumptions.

I) Revenue Assumptions

We are providing TIF Bond Cash Flow Projections for two scenarios. Both scenarios assume the new privately owned state office building is constructed and the current state office building is sold to a private entity and becomes taxable. These two transactions are at the core of the entire plan. Both scenarios also assume \$100,000 per year in other background grand list growth in the TIF district.

The only significant point of divergence between the two scenarios is that one scenario assumes that a hotel is built on what is currently a city-owned parcel on Lake Street and the other assumes the hotel is not built. If the hotel is not built the City's borrowing may reduce from \$14,500,000 to \$13,100,000.

Other Revenue notes:

- a. Tax Rates: It is assumed that the municipal tax rate will increase an average of 2% per year and the education tax rate increases 3.5% per year.
- b. Grand List Growth: The projections conservatively assume zero growth beyond the specific projects and \$100,000/yr background growth described above.
- c. Property Values: The projections assume the new privately owned state office building will have a grand list value of \$8 million and the existing state office building, once sold, will come on the grand list with a value of \$5 million. It is assumed the hotel, if built, will have a grand list value of \$9 million.
- d. Revenue timing: It is assumed that all three projects commence construction in FY 2014 and appear on the grand list for the first time as of April 1, 2015, which results in their new taxes being received for the first time in FY 2016.
- e. Personal Property Taxes: It is assumed that the City will dedicate \$50,000 per year in new personal property tax increment to repayment of the bond. The Cash Flow Projections show this continuing for the life of the 20 year bond, but the City anticipates it will cease making this contribution once the TIF District is fully able to support itself based on incremental real property taxes.

## II) Working Capital Reserve Fund

The City plans to establish a Working Capital Reserve Fund to cover negative cash flow periods in the TIF District. In TIF districts, there is commonly a lag period between when debt is incurred and when growth in the grand list reaches a level to fully service the debt. Projections for St. Albans' TIF District follow this common pattern. To address the cash flow short-fall in the early years, the City will establish a Working Capital Reserve Fund to ensure sufficient funds are available for debt service.

The size and makeup of the fund will vary depending on whether or not the hotel is built.

### a. Scenario A: with hotel

The developer of the new state office building, ReArch, is buying the property on which it will be built from the City, along with rights to 170 parking spaces in the new parking garage, for \$2.5million. If the hotel is built as expected \$2million of this will be invested by the City in the hotel project. The remaining \$500,000 will be seed money for the Working Capital Reserve Fund. All sources of funds for the Working Capital Reserve Fund:

- i. From sale to ReArch: \$500,000
- ii. Refinance City's purchase of Moose property \$225,000
- iii. From bond proceeds: \$1,400,000
- iv. Total: \$2,125,000

### b. Scenario B: no hotel

If the hotel deal is not consummated, the full \$2.5million sales proceeds received from ReArch will become seed money for the Working Capital Reserve Fund. In this case the City will not need the additional \$1,250,000 from the bond and may elect to reduce the total bond amount. Under this scenario all sources of funds for the Working Capital Reserve Fund are:

- i. From sale to ReArch: \$2,500,000
- ii. Refinance City's purchase of Moose property \$225,000
- iii. Total: \$2,725,000

In either scenario, once the TIF District reaches the point where incremental real property taxes are sufficient to fully cover debt service requirements, the City intends to release remaining funds in the Working Capital Reserve Fund for other purposes.

# City of St. Albans

TIF Bond Cash Flow Projection

11/1/2013

## Scenario B: no hotel

### Sources of Funds

Fiscal Year	Working Capital Reserve Fund		Projected TIF Revenue	Personal Property Tax Increment	Total Funds Available for Debt Service	Debt Service on Bond	Working Capital Reserve Fund	
	Beginning Balance	Ending Balance					Beginning Balance	Ending Balance
2013	0	0	0	0	0	0	0	0
2014	2,725,000	2,033,727	192,698	50,000	2,967,698	933,971	2,033,727	2,033,727
2015	2,033,727	1,544,501	394,744	50,000	2,478,472	933,971	1,544,501	1,544,501
2016	1,544,501	1,307,294	646,763	50,000	2,241,264	933,971	1,307,294	1,307,294
2017	1,307,294	1,091,077	667,754	50,000	2,025,048	933,971	1,091,077	1,091,077
2018	1,091,077	896,561	689,455	50,000	1,830,532	933,971	896,561	896,561
2019	896,561	724,481	711,890	50,000	1,658,451	933,971	724,481	724,481
2020	724,481	575,596	735,085	50,000	1,509,566	933,971	575,596	575,596
2021	575,596	450,693	759,067	50,000	1,384,663	933,971	450,693	450,693
2022	450,693	350,586	783,864	50,000	1,284,556	933,971	350,586	350,586
2023	350,586	276,118	809,502	50,000	1,210,088	933,971	276,118	276,118
2024	276,118	228,160	836,013	50,000	1,162,131	933,971	228,160	228,160
2025	228,160	207,617	863,427	50,000	1,141,587	933,971	207,617	207,617
2026	207,617	215,421	891,775	50,000	1,149,392	933,971	215,421	215,421
2027	215,421	252,541	921,090	50,000	1,186,512	933,971	252,541	252,541
2028	252,541	319,977	951,407	50,000	1,253,948	933,971	319,977	319,977
2029	319,977	418,766	982,760	50,000	1,352,737	933,971	418,766	418,766
2030	418,766	549,981	1,015,185	50,000	1,483,952	933,971	549,981	549,981
2031	549,981	714,732	1,048,721	50,000	1,648,703	933,971	714,732	714,732
2032	714,732	914,169	1,083,407	50,000	1,848,140	933,971	914,169	914,169
2033	914,169		1,119,283	50,000	2,083,453	933,971	1,149,482	1,149,482

**City of St. Albans**

11/1/2013

TIF Bond Cash Flow Projection

**Scenario A: with hotel**

Sources of Funds

Fiscal Year	Working Capital Reserve Fund		Projected TIF Revenue	Personal Property Tax Increment	Total Funds Available for Debt Service	Debt Service on Bond	Working Capital Reserve Fund	
	Beginning Balance	Ending Balance						
2013	0	0	0	0	0	0	0	0
2014	2,125,000	1,333,914	192,698	50,000	2,367,698	1,033,784	1,333,914	1,333,914
2015	1,333,914	744,874	394,744	50,000	1,778,658	1,033,784	744,874	744,874
2016	744,874	568,384	807,294	50,000	1,602,168	1,033,784	568,384	568,384
2017	568,384	417,627	833,027	50,000	1,451,411	1,033,784	417,627	417,627
2018	417,627	293,460	859,617	50,000	1,327,244	1,033,784	293,460	293,460
2019	293,460	196,771	887,095	50,000	1,230,555	1,033,784	196,771	196,771
2020	196,771	128,479	915,492	50,000	1,162,263	1,033,784	128,479	128,479
2021	128,479	89,533	944,838	50,000	1,123,317	1,033,784	89,533	89,533
2022	89,533	80,917	975,168	50,000	1,114,701	1,033,784	80,917	80,917
2023	80,917	103,647	1,006,514	50,000	1,137,431	1,033,784	103,647	103,647
2024	103,647	158,776	1,038,913	50,000	1,192,560	1,033,784	158,776	158,776
2025	158,776	247,392	1,072,400	50,000	1,281,176	1,033,784	247,392	247,392
2026	247,392	370,621	1,107,014	50,000	1,404,405	1,033,784	370,621	370,621
2027	370,621	529,630	1,142,793	50,000	1,563,414	1,033,784	529,630	529,630
2028	529,630	725,624	1,179,778	50,000	1,759,408	1,033,784	725,624	725,624
2029	725,624	959,851	1,218,011	50,000	1,993,635	1,033,784	959,851	959,851
2030	959,851	1,233,603	1,257,536	50,000	2,267,387	1,033,784	1,233,603	1,233,603
2031	1,233,603	1,548,215	1,298,397	50,000	2,582,000	1,033,784	1,548,215	1,548,215
2032	1,548,215	1,905,072	1,340,640	50,000	2,938,856	1,033,784	1,905,072	1,905,072
2033	1,905,072		1,384,315	50,000	3,339,387	1,033,784	2,305,603	2,305,603

**CITY OF ST. ALBANS, VERMONT**  
**AUDIT REPORT AND REPORTS ON**  
**COMPLIANCE AND INTERNAL CONTROL**  
**JUNE 30, 2012**

CITY OF ST. ALBANS, VERMONT  
 AUDIT REPORT  
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**Sullivan, Powers & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and City Council  
City of St. Albans, 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 City of St. Albans, Vermont as of and for the year ended June 30, 2012, which collectively comprise the City of St. Albans, Vermont's basic financial statements 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Albans, Vermont as of June 30, 2012 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 described in Note III.C. to the financial statements, the City has included the Pension Trust Fund, which was not included in prior years, in the City's financial statements as is required by accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 13 and the schedule of funding progress for the Pension Trust Fund and the budgetary comparison information for the General Fund, presented in Schedules 1 and 2 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the City of St. Albans, Vermont's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations" and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was 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 basic 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 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects in relation to the financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2013, 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.

January 30, 2013  
Montpelier, Vermont  
VT Lic. #92-000180

*Sullivan, Powers & Company*

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

Management of the City of St. Albans (the City) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. Please note that this section of the Basic Financial Statements is unaudited.

**FINANCIAL HIGHLIGHTS**

- The City's assets exceeded its liabilities at the close of the fiscal year by \$19,403,519 (net assets). Of this amount, \$1,917,624 (unrestricted net assets) may be used to meet the City's ongoing obligations. The balance of net assets is made up of \$17,271,272 invested in capital assets, net of related debt and \$214,623 restricted for specific purposes.
- The City's total net assets increased by \$2,019,472 (11.6%). Of this amount, net assets attributable to governmental activities increased by \$1,435,455 (34.7%), and net assets attributable to business-type activities increased by \$584,017 (4.4%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$376,734, a decrease of \$254,179 in comparison with the prior year.
- The City's total debt decreased by \$342,948 (3.4%) during the current fiscal year. Outstanding debt supporting the City's governmental activities decreased by \$167,988 (9.1%) including two new debt items totaling \$123,480. Outstanding business-activities debt decreased by \$174,960 (2.1%) with no new debt issued.
- Upgrades to the wastewater treatment facility costing \$5.2 million were completed. This project was moved out of construction in progress and began depreciating halfway through the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are presented in three sections: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, this report also contains other and required supplementary information such as a general fund budget to actual comparison and combining financial statements.

It is important for the reader to understand that, although governmental accounting resembles private sector accounting, there are significant differences between the two. For readers versed in private sector accounting, the government-wide financial statements will be the most familiar. The readers should know that the financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. For example, the City of St. Albans operates a wastewater treatment facility and two water treatment plants. These operations are referred to as business-type activities, they are supported by user fees, and are recorded in enterprise funds separately from the general governmental activities which are accounted for primarily in the general fund and supported in large part by property tax revenues.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**Government-Wide Financial Statements**

The government-wide financial statements provide a general overview of the operations of the City presenting all data on a full accrual basis, similar to the way a private sector business would present its financial statements. There are two statements presented at the government-wide level: the Statement of Net Assets and the Statement of Activities. Within each of these statements, the governmental activities are presented separately from the business-type activities. The governmental activities reflect the City's basic services; including general government, public safety, public works, community development, parks and recreation, health and welfare, and public improvements. Property taxes finance the majority of these services supplemented by program fees, grant revenues, and other revenues. The business-type activities reflect private-sector-type operations for which user fees recover all or a significant portion of costs. The business-type activities of the City include both water and wastewater operations.

The Statement of Net Assets presents information on all of the City'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 City is improving or deteriorating.

The Statement of Activities reports how the City's net assets changed during the most recent 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 leave).

The government-wide financial statements include not only the City itself (referred to as the primary government), but also other legally separate entities for which the City is financially accountable (referred to as component units). During the period under audit, the City was not responsible for 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 group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives other 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 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. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine the level of financial resources that are available to finance the City's

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

programs in the near future. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship between the two.

The City maintains one major governmental fund; the General Fund. In addition to this, the City maintains a number of capital projects funds and grant funds, none of which qualify as major funds. These funds are consolidated into the column labeled Other Governmental Funds in the Fund Financial Statements. Combining financial statements containing more detailed information on these funds may be found in Schedules 3 through 8.

The basic governmental fund financial statements can be found in Exhibits C and D of this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided in Schedule 1 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. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds; one to account for the Water Fund and one to account for the Wastewater Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. At this time, the City has no internal service funds.

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.

The proprietary fund financial statements of the City may be found in Exhibits F through H.

**Fiduciary funds**, also known as trust and agency funds, account for resources 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 programs of the City. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has two fiduciary funds at this time, detailed in Exhibits I and J.

**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 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 in this report.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Summary Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>
	2012	2011	2012	2011	2012
Cash and Investments	\$ 1,432,110	\$ 1,347,961	\$ 750,113	\$ 231,223	\$ 2,182,223
Other Assets	251,240	335,890	1,829,862	1,592,430	2,081,102
Capital Assets	<u>6,625,394</u>	<u>5,064,232</u>	<u>19,725,233</u>	<u>20,338,193</u>	<u>26,350,627</u>
Total Assets	<u>8,308,744</u>	<u>6,748,083</u>	<u>22,305,208</u>	<u>22,161,846</u>	<u>30,613,952</u>
Other Liabilities	765,760	407,928	165,119	433,073	930,879
Noncurrent Liabilities	<u>1,975,155</u>	<u>2,207,781</u>	<u>8,304,399</u>	<u>8,477,100</u>	<u>10,279,554</u>
Total Liabilities	<u>2,740,915</u>	<u>2,615,709</u>	<u>8,469,518</u>	<u>8,910,173</u>	<u>11,210,433</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	5,687,628	4,094,397	11,583,644	12,053,482	17,271,272
Restricted	214,623	264,656	-	-	214,623
Unrestricted/(Deficit)	<u>(334,422)</u>	<u>(226,679)</u>	<u>2,252,046</u>	<u>1,198,191</u>	<u>1,917,624</u>
Total Net Assets	<u>\$ 5,567,829</u>	<u>\$ 4,132,374</u>	<u>\$ 13,835,690</u>	<u>\$ 13,251,673</u>	<u>\$ 19,403,519</u>

As noted earlier, net assets serve as a useful indicator of a government's financial position over time. At the close of the most recent fiscal year, the City's assets exceeded liabilities by \$19,403,519. The City's total net assets are split between governmental activities net assets of \$5,567,829 and business-type activities net assets of \$13,835,690.

The largest portion of the City's total net assets (89%) reflects its investment in capital assets (equipment, land, buildings and infrastructure) net of any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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. The City strives, on an ongoing basis, to work reserves into the annual budget to provide for financial contingencies and reserves for a long-term capital plan. As was the case in 2011, the 2012 operations achieved that goal.

The City's total net assets also include \$214,623 (1%) of restricted net assets. These are assets representing resources subject to external restrictions as to how they may be used. The remaining balance of unrestricted net assets (\$1,917,624) may be used to meet the government's ongoing financial obligations. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Summary of the Statement of Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>
	2012	2011	2012	2011	2012
<b>Revenues:</b>					
Program Revenues:					
Charges for Services	\$ 1,778,771	\$ 1,348,621	\$ 4,766,285	\$ 4,256,307	\$ 6,545,056
Operating Grants & Contributions	2,377,447	1,050,574	-	-	2,377,447
Capital Grants & Contributions	933,940	920,671	79,587	1,000,000	1,013,527
General Revenues:					
Property Taxes	3,780,436	3,765,017	-	-	3,780,436
Other	237,911	226,454	50,395	44,403	288,306
Total Revenues	<u>9,108,505</u>	<u>7,311,337</u>	<u>4,896,267</u>	<u>5,300,710</u>	<u>14,004,772</u>
<b>Expenses:</b>					
General Government	1,387,110	947,435	-	-	1,387,110
Public Safety	4,682,229	4,190,064	-	-	4,682,229
Public Works	581,886	571,072	-	-	581,886
Culture and Recreation	472,500	485,389	-	-	472,500
Community Development	498,887	2,356	-	-	498,887
Interest on Long-Term Debt	50,438	62,959	-	-	50,438
Water	-	-	1,807,120	1,714,023	1,807,120
Sewer	-	-	<u>2,505,130</u>	<u>2,365,686</u>	<u>2,505,130</u>
Total Expenses	<u>7,673,050</u>	<u>6,259,275</u>	<u>4,312,250</u>	<u>4,079,709</u>	<u>11,985,300</u>
Change in Net Assets	1,435,455	1,052,062	584,017	1,221,001	2,019,472
Beginning Net Assets	<u>4,132,374</u>	<u>3,080,312</u>	<u>13,251,673</u>	<u>12,030,672</u>	<u>17,384,047</u>
Ending Net Assets	<u>\$ 5,567,829</u>	<u>\$ 4,132,374</u>	<u>\$ 13,835,690</u>	<u>\$ 13,251,673</u>	<u>\$ 19,403,519</u>

**Governmental Activities**

Governmental activities increased the City's net assets by \$1,435,455 for the year ended June 30, 2012. This increase is \$383,393 (38.4%) higher than the previous year. Key elements of the increase are as follows:

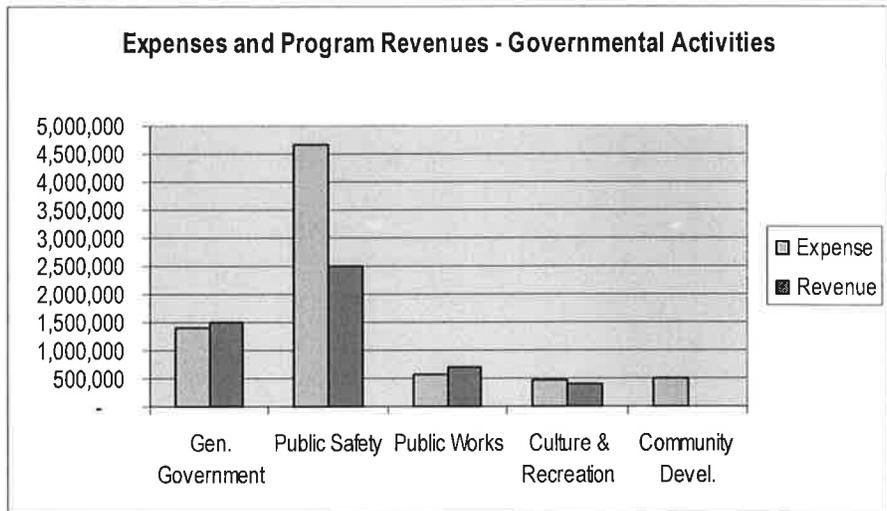
- Total governmental activities' revenues increased by 24.6% (\$1,797,168) from 2011 to 2012. The primary cause of this increase is a \$1.3 million boost to operating grants and contributions combined with a \$430,000 increase in charges for services.
- Although the dollar amount of property taxes remained stable (up \$15,419 or 0.4% from 2011), the City's reliance on property tax revenue decreased by 10% from 51.5% of total revenues in 2011 to 41.5% in 2012. This decrease is a direct cause of a stable tax rate combined with a drastic increase in operating grants and contributions and should not be considered an ongoing trend.
- Total governmental activities' expenses increased by 22.6% (\$1,413,775) from 2011 to 2012. This increase roughly offsets the increase in operating grants and contributions. Since the

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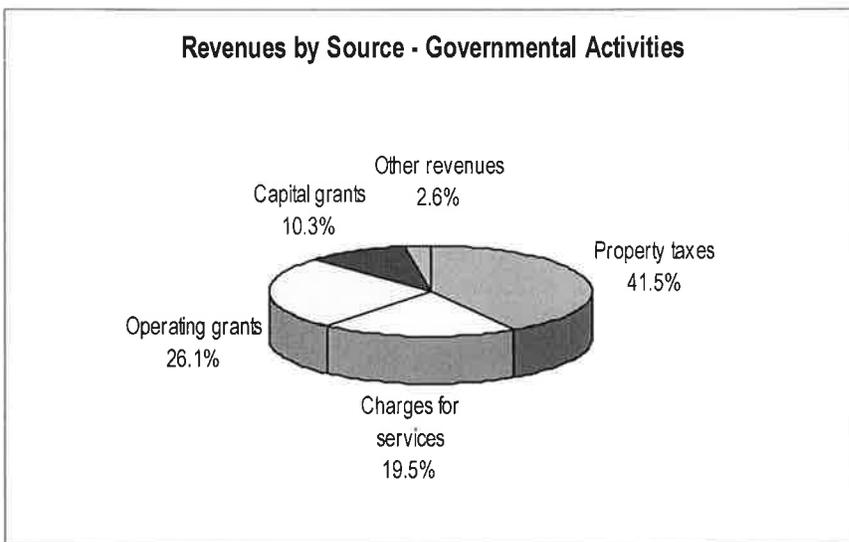
majority of the City's grants are reimbursable grants (the City incurs approved expenses up front and is subsequently reimbursed by the grantor) this offset is logical. This increase includes the large increase in Community Development expenses from 2011 to 2012. The City is the pass-through entity for a VCDP grant to the Samaritan House. The bulk of the work on this project was performed in 2012 and will be completed in 2013.

- Public safety expenses end the year at 61% (\$4,682,229) of total governmental activities' expenses. This is a slight decrease from the previous year when public safety expenses were 67% (\$4,190,064) of total governmental activities' expenses. Public safety remains the largest category of expenses from year to year.

The graph titled Expense and Program Revenues – Governmental Activities, gives the reader an idea of how each major program is funded. The revenues included in this graph are program specific revenues such as user fees, capital grants, and operating grants. General revenues such as property revenues and interest earnings are excluded. The supporting data may be found on Exhibit B, the Statement of Activities.



The graph titled Revenues by Source – Governmental Activities, summarizes revenues by source for the reader. The majority of revenue comes from property taxes, 41.5% or \$3,780,436. The second largest category of revenue is operating grants coming in at 26.1% (\$2,377,447) of total revenue. This is a change from the previous year when charges for services claimed the number two spot with 18% of total revenue. During the current year, charges for services remains stable at 19.5%, however, the increase in operating grants makes the former source third largest.



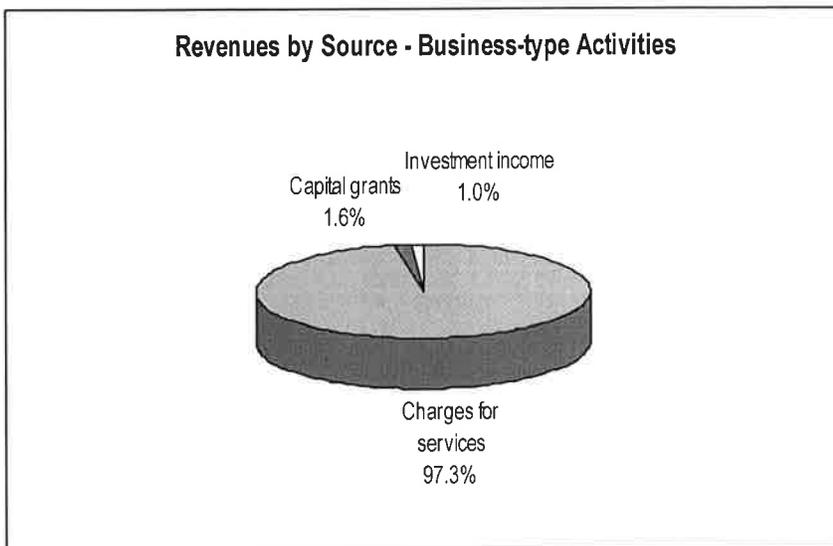
**CITY OF ST. ALBANS, VERMONT  
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**Business-type Activities**

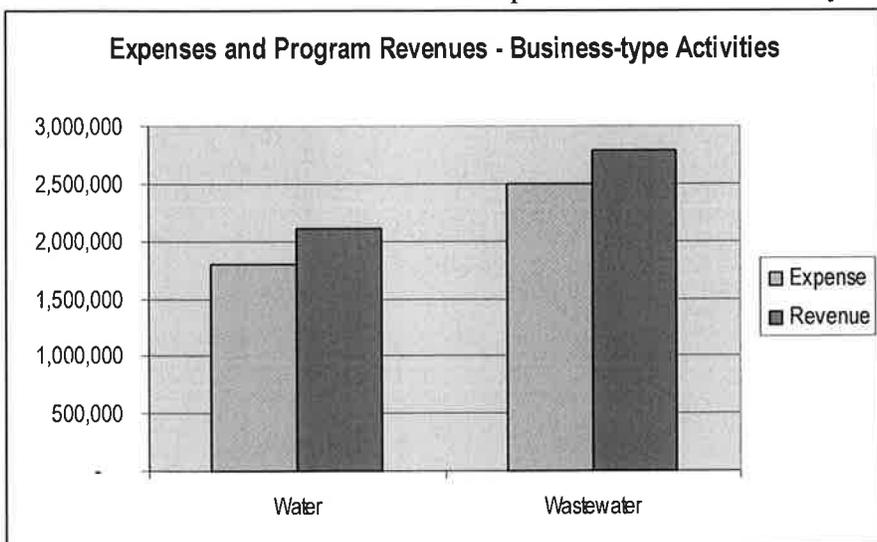
Business-type activities increase the City's net assets by \$584,017 during the current fiscal year. Key elements of this increase are as follows:

- Total revenues of \$4,896,267 were \$404,493 (7.7%) less than the previous year due primarily to one-time loan forgiveness in the wastewater fund of \$1,000,000 recognized during 2011.
- Total expenses of \$4,312,250 increased by \$232,541 (5.7%) when compared to the prior year. This slight increase in total expenses is split proportionately between the two funds.

The City's business-type activities are supported by user fees, also referred to as charges for services (\$4,766,285) with assistance from capital grants (\$79,587) and investment income (\$50,395). The breakdown of revenue sources is illustrated in the graph titled Revenues by Source – Business-type Activities. As the name suggests, business-type activities are accounted for in the same manner that businesses would account for operations. This being said, it is necessary that revenues meet or exceed expenses in order to continue operating. The graph titled Expenses and Program Revenues – Business-type Activities, demonstrates that during the current fiscal year, revenues exceeded expenses for both the water fund and the wastewater fund. Revenues exceeded expenses in the water fund by \$296,548 or 14% of total revenue



and in the wastewater fund by \$287,469 or 10% of total revenue. In the water fund more than half of this surplus was designated for future water capital projects and in the wastewater fund the entire surplus was designated for future wastewater capital projects and repayment of debt. Additional detail can be found in Footnote IV.I Designated Net Assets.



**CITY OF ST. ALBANS, VERMONT  
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**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the City'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 City's governmental funds reported combined ending fund balances of \$376,734, a decrease of \$254,179 in comparison with the prior year. Of this total amount, \$244,121 is non-spendable (advances to other funds and prepaid expenses) and \$83,568 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, \$318,203 has been assigned by the City for various purposes (detailed in Footnote IV. H. Net Assets/Fund Balance) and unassigned fund balance is a deficit of \$269,158. The deficit unassigned fund balance is caused by timing of grant proceeds.

The general fund is the chief operating fund of the City. At the end of the year, total fund balance in the general fund was \$531,848, a decrease of \$208,674 from the previous year. Of this amount, \$193,645 is non-spendable and \$20,000 is restricted (this amount is restricted debt proceeds). Of the remaining amount, \$318,203 has been assigned leaving a deficit in unassigned fund balance of \$-0-.

Certain notable items and trends in the general fund and other governmental funds include:

- Property taxes remained stable over the two years increasing 3.9% (\$143,419) from \$3,707,017 to \$3,850,436. For both 2011 and 2012 property tax revenues represent 56% of total revenues in the general fund.
- Transfers out from the general fund to other governmental funds increased from \$74,741 to \$132,672. This increase is directly correlated with the increase in work done on the City's capital projects including demolition of the Fonda/Solo building, construction of the pervious concrete sidewalk on the east side of Taylor Park, and continued work on both the Federal Street Bypass project and the Streetscape project. All of these projects are funded with grants requiring a local match, when these projects are recorded in separate funds the local match is shown in the financial statements as a transfer in or out.
- All of the \$269,158 deficit for the total governmental funds comes from the other governmental funds. The City captures certain grant activity and capital projects within its other governmental funds. The deficit resulting from these funds is due primarily to grant proceeds that were not received within sixty days of the end of the fiscal year causing them to be deferred.