

CITY OF ST. ALBANS, VERMONT

**AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

JUNE 30, 2013

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AUDIT REPORT
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Independent Auditor's Report

Honorable City Council
City of St. Albans
P.O. Box 867
100 North Main Street
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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Albans, Vermont, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of St. Albans, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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-activities, each major fund, and the aggregate remaining fund information of the City of St. Albans, Vermont as of June 30, 2013 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 16 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.

Other Information

As described in Note I.F. to the financial statements, effective June 30, 2013, the City of St. Albans, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

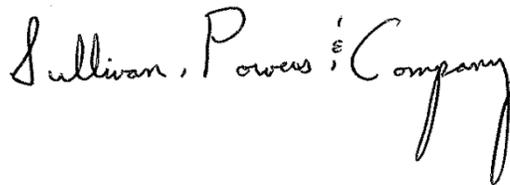
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Albans, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 do not express an opinion or provide any assurance 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.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated November 22, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the City of St. Albans, Vermont's internal control over financial reporting and compliance.

November 22, 2013
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed date and location information.

CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. Please note that this section of the Basic Financial Statements is unaudited.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,053,169 (net position). Of this amount, \$708,115 (unrestricted net position) may be used to meet the City's ongoing obligations. The balance of net position is made up of \$19,129,516 net investment in capital assets and \$215,538 restricted for specific purposes.
- The City's total net position increased by \$649,650 (3.4%). Of this amount, net position attributable to governmental activities increased by \$25,299 (0.5%), and net position attributable to business-type activities increased by \$624,351 (4.5%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,289,208, a significant increase of \$912,474 over the prior year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$709,897, or approximately 10.6% of total general fund expenditures.

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 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 DISCUSSION AND ANALYSIS
JUNE 30, 2013

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 Position 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 Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 any 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. The City, 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.

CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013

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 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 three major governmental funds; the General Fund, the TIF (Tax Increment Financing) Fund, and the Streetscape Capital Project Fund. In addition to this, the City maintains a number of special revenue funds and a capital project fund, 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 6.

The basic governmental fund financial statements can be found in Exhibits C through E 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; the Water Fund and 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.

CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013

Notes to the Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. 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 and the City's progress in funding its obligation to provide pension benefits to its employees. The supplementary information can be found immediately following the notes to the financial statements in this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the budget and pension.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash and Investments	\$ 2,958,827	\$ 1,432,110	\$ 1,140,918	\$ 750,113	\$ 4,099,745	\$ 2,182,223
Other Assets	1,013,111	251,240	1,730,222	1,829,862	2,743,333	2,081,102
Capital Assets	8,199,957	6,625,394	20,759,660	19,725,233	28,959,617	26,350,627
Total Assets	<u>12,171,895</u>	<u>8,308,744</u>	<u>23,630,800</u>	<u>22,305,208</u>	<u>35,802,695</u>	<u>30,613,952</u>
Other Liabilities	1,618,587	765,760	260,671	165,119	1,879,258	930,879
Noncurrent Liabilities	4,930,374	1,975,155	8,910,088	8,304,399	13,840,462	10,279,554
Total Liabilities	<u>6,548,961</u>	<u>2,740,915</u>	<u>9,170,759</u>	<u>8,469,518</u>	<u>15,719,720</u>	<u>11,210,433</u>
Deferred Inflows of Resources	<u>29,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,806</u>	<u>-</u>
Net Position:						
Net Investment in Capital Assets	7,119,924	5,687,628	12,009,592	11,583,644	19,129,516	17,271,272
Restricted	215,538	214,623	-	-	215,538	214,623
Unrestricted/(Deficit)	<u>(1,742,334)</u>	<u>(334,422)</u>	<u>2,450,449</u>	<u>2,252,046</u>	<u>708,115</u>	<u>1,917,624</u>
Total Net Position	<u>\$ 5,593,128</u>	<u>\$ 5,567,829</u>	<u>\$ 14,460,041</u>	<u>\$ 13,835,690</u>	<u>\$ 20,053,169</u>	<u>\$ 19,403,519</u>

As noted earlier, net position serves as a useful indicator of a government's financial position over time. At the end of the most recent fiscal year, the City's assets exceeded liabilities by \$20,153,169. The City's total net position is split between governmental activities net position of \$5,593,128 and business-type activities net position of \$14,460,041.

CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
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The largest portion of the City's total net position \$19,129,516 (95.4%) reflects its investment in capital assets (construction in progress, equipment, land, buildings and infrastructure) net of any outstanding debt used to acquire or construct 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 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 2012, the 2013 operations achieved that goal.

The City's total net assets also include \$215,538 (1.1%) of restricted net position. These are assets representing resources subject to external restrictions as to how they may be used. The remaining balance of unrestricted net position equal to \$708,115 (3.5%) may be used to meet the government's ongoing financial obligations. Included in unrestricted net position are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

Summary of the Statement of Activities

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,213,946	\$ 1,778,771	\$ 4,847,728	\$ 4,766,285	\$ 7,061,674	\$ 6,545,056
Operating Grants & Contributions	1,106,294	2,377,447	-	-	1,106,294	2,377,447
Capital Grants & Contributions	1,264,603	933,940	452,696	79,587	1,717,299	1,013,527
General Revenues:						
Property Taxes	3,763,707	3,780,436	-	-	3,763,707	3,780,436
Other	172,636	237,911	51,744	50,395	224,380	288,306
Total Revenues	8,521,186	9,108,505	5,352,168	4,896,267	13,873,354	14,004,772
Expenses:						
General Government	760,536	1,387,110	-	-	760,536	1,387,110
Public Safety	4,504,074	4,682,229	-	-	4,504,074	4,682,229
Public Works	610,692	581,886	-	-	610,692	581,886
Culture and Recreation	540,147	472,500	-	-	540,147	472,500
Community Development	2,005,440	498,887	-	-	2,005,440	498,887
Interest on Long-Term Debt	74,998	50,438	-	-	74,998	50,438
Water	-	-	1,885,455	1,807,120	1,885,455	1,807,120
Sewer	-	-	2,842,362	2,505,130	2,842,362	2,505,130
Total Expenses	8,495,887	7,673,050	4,727,817	4,312,250	13,223,704	11,985,300
Change in Net Position	25,299	1,435,455	624,351	584,017	649,650	2,019,472
Beginning Net Position	5,567,829	4,132,374	13,835,690	13,251,673	19,403,519	17,384,047
Ending Net Position	\$ 5,593,128	\$ 5,567,829	\$ 14,460,041	\$ 13,835,690	\$ 20,053,169	\$ 19,403,519

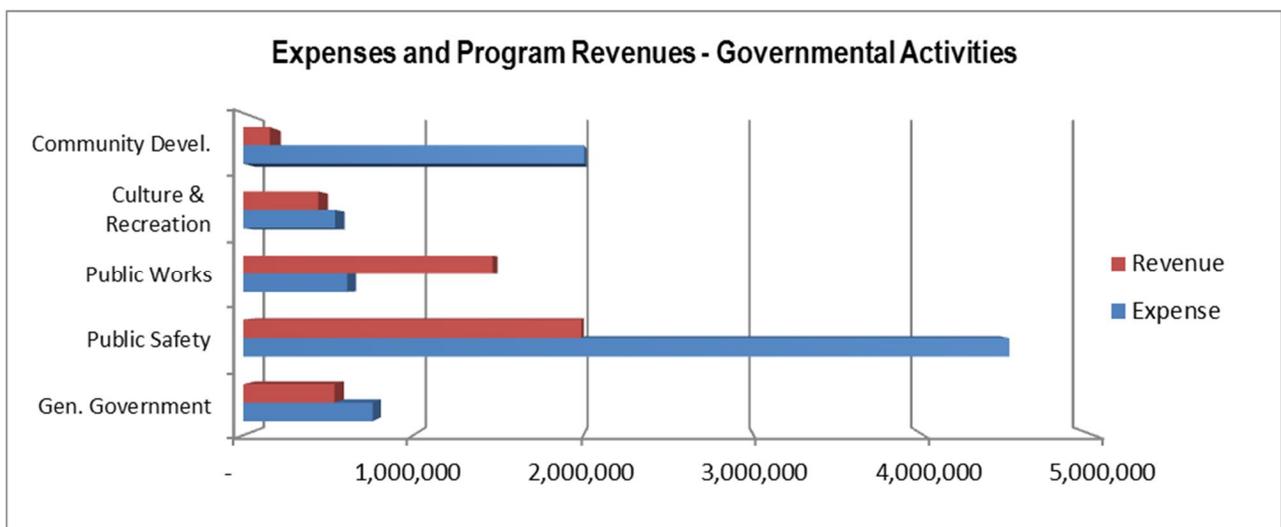
**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Governmental Activities

Governmental activities increased the City's net position by \$25,299 for the year ended June 30, 2013. Key elements of the change are as follows:

- Total governmental activities' revenues decreased by 6.5% (\$587,319) from 2012 to 2013. During 2012 governmental activities reported a \$1.3 million increase in operating grants and contributions. Operating grants and contributions decreased by \$1.27 million from 2012 to 2013 reversing this trend. This was offset by a modest \$435,175 increase in charges for services, a \$330,663 increase in capital grants and contributions, as well as a small decrease (\$65,275) in other revenue for 2013.
- Total governmental activities' expenses increased by 10.7% (\$822,837) from 2012 to 2013. This increase is driven by community development expenses which were up by approximately \$1.5 million. This increase was caused by the TIF fund which had significant activity during 2013. Increased activity on TIF related projects was offset by a decrease in general government, public safety, and interest on long-term debt.
- Public safety expenses end the year at 53% (\$4,504,074) of total governmental activities' expenses. This is a slight decrease from the previous year when public safety expenses were 61% (\$4,682,229) of total governmental activities' expenses. Public safety remains the largest category of expenses from year to year.

The follow graph titled Expense and Program Revenues ó 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. As noted previously, Public Safety is the largest category of expenses in the current year and historically.



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MANAGEMENT DISCUSSION AND ANALYSIS
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The majority of revenue for governmental activities comes from property taxes, 44.2% of total revenue or \$3,763,707. The second largest category of revenue is charges for services coming in at 26% or \$2,213,946 of total revenue. This is a change from the previous year when operating grants claimed the number two spot with 26.1% of total revenue. This was due to a one time boost in operating grants during 2012. Operating grants for 2013 has dropped by to the third largest category of revenue at 13% or \$1,106,294 which is consistent with 2010 and 2011.

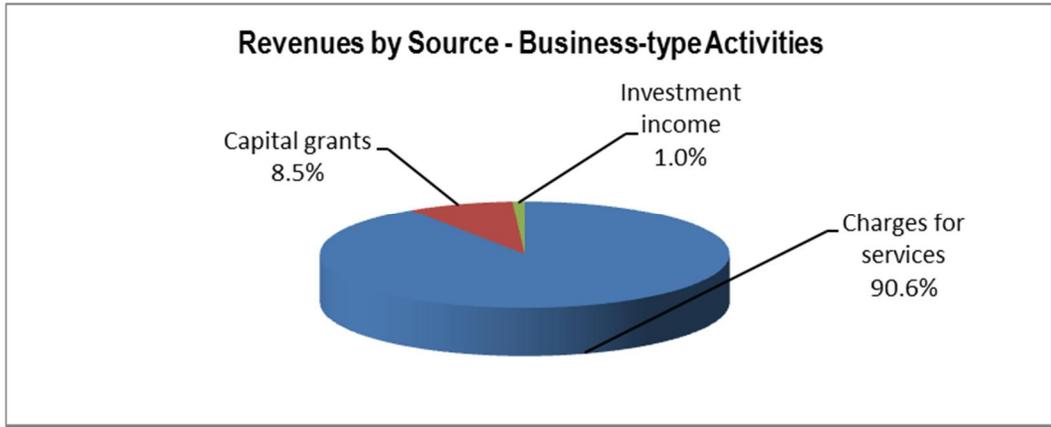
Business-type Activities

Business-type activities increase the City's net assets by \$624,351 during the current fiscal year. Key elements of this increase are as follows:

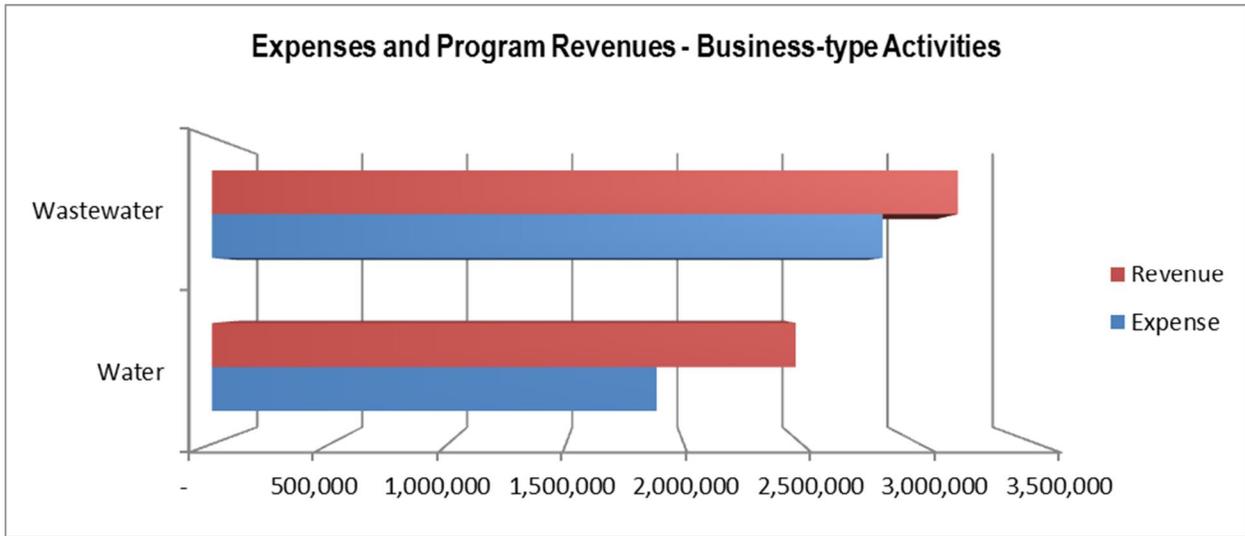
- Total revenues of \$5,352,168 were \$455,901 or 9.3% higher than the previous year due to an increase in the amount received for capital grants and contributions. A portion of the Streetscape project is allocable to the business-type activities as it improves the water and wastewater utilities beneath the street. Thusly, a portion of the grant revenue from the Streetscape project has been allocated to the business-type activities driving the increase in grant revenue.
- Operating revenues in the water and wastewater funds remained stable, increasing by \$66,443 or 1.4%.
 - In the wastewater fund this is due to a decrease in allocation fees received in the wastewater fund from \$136,546 in 2012 to \$95,507 in 2013. Allocation fees are paid when new water and wastewater connections are establish and as such are directly related to development activity in the water and wastewater district. This decrease in allocation fees was offset by an increase in charges for services leaving a net change in business-type activities operating revenues of \$49,427 and increase of 1.8%.
 - In the water fund the slight increase in operating revenues is caused by an increase charges for services of \$24,756 and a decrease in other income of \$7,707
- Total expenses of \$4,727,817 increased by \$415,567 (9.6%) when compared to the prior year. This increase is caused primarily by the following items:
 - Interest expense in the wastewater fund increased from \$14,425 in 2012 to \$151,522 in 2013. The City began paying on the bonds and note from the State Special Environmental Revolving Loan Fund that were used to fund the wastewater treatment facility upgrades completed in 2012. This \$137,097 increase is caused entirely by the annual payments on those loans.
 - Depreciation expense in the wastewater fund also increased significantly as a result of the completion of the wastewater treatment facility upgrades completed in 2012. These upgrades began depreciating halfway through 2012 and were depreciated for the entire year during 2013, causing an increase in depreciation of \$128,578.

The City's business-type activities are supported by user fees, also referred to as charges for services (\$4,847,728) with assistance from capital grants (\$452,696) and investment income (\$51,744). The percentage breakdown of revenue sources is illustrated in the following graph titled Revenues by Source ó Business-type Activities.

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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 ó Business-type Activities, demonstrates that during the current fiscal year, revenues exceeded expenses for both the water fund and the wastewater fund. Revenues and capital contributions exceeded expenses in the water fund by \$444,171 or 19.1% of total revenues (\$2,329,626). In the wastewater fund, revenues and capital contributions exceeded expenses by \$180,180 or 6% of total revenues (\$3,022,542).



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

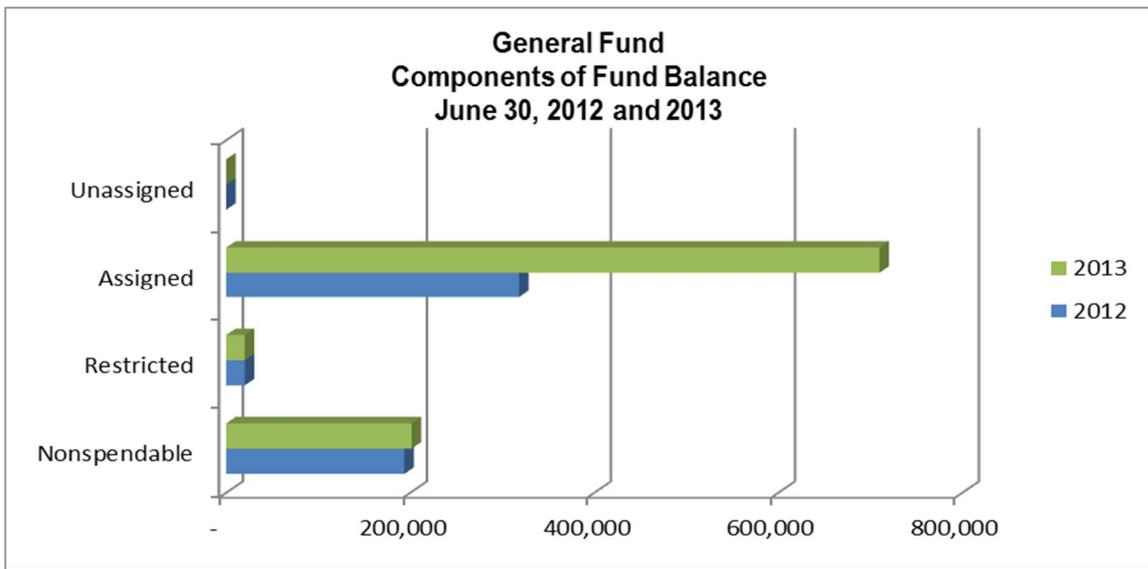
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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Governmental Funds

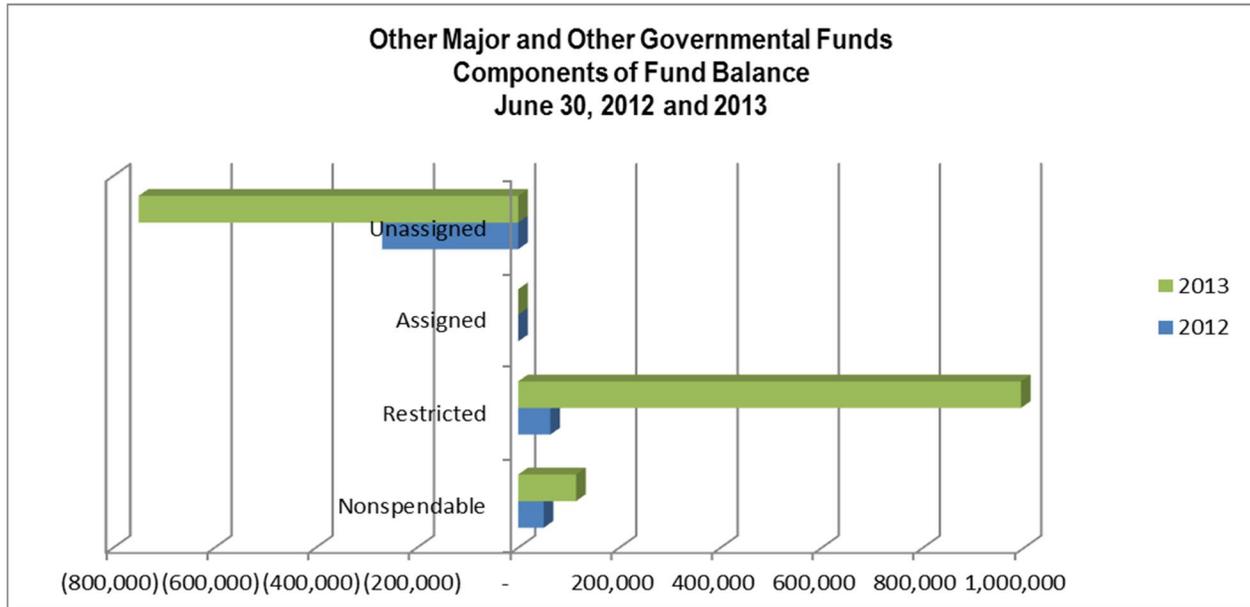
The focus of the City’s governmental funds is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s 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 \$1,289,208, an increase of \$912,474 over the prior year. Of this total amount, \$315,928 or is non-spendable (advances to other funds, land held for resale and inventories) and \$1,013,607 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, \$709,897 has been assigned by the City for various purposes (detailed in Footnote H. Net Position/Fund Balances) and unassigned fund balance is a deficit of \$750,224. The deficit unassigned fund balance is caused by timing of grant proceeds in the Streetscape fund and other governmental funds.



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 \$931,535, an increase of \$399,687 from the previous year. Of this amount, \$201,628 is non-spendable and \$20,000 is restricted unspent debt proceeds. The remaining amount of \$709,897 has been assigned as detailed in the footnotes. As demonstrated by the above graph, the increase in total fund balance for the general fund is captured almost entirely in assigned fund balance. As a measure of the general fund’s liquidity, it may be useful to compare total fund balance to total general fund expenditures. Total fund balance represents approximately 13.9% of total general fund expenditures.

CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013



In the governmental fund other than the general fund the two noteworthy changes to fund balance are a decrease in unassigned fund balance of \$481,066 and an increase in restricted fund balance of \$930,124. The change in unassigned fund balance is caused primarily by the Streetscape capital project fund which had \$489,134 in unavailable revenue from grant proceeds not received within sixty days of the end of the year. The increase in restricted fund balance is caused entirely by the TIF Fund which had unspent debt proceeds equal to that amount.

Proprietary Funds

The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the water fund is \$3,325,888, an increase of 15.4% from the previous year. Slightly more than half of the water fund’s net assets are invested in capital assets; 52.2% or \$1,737,264. In the wastewater fund, total net position is \$11,134,153, an increase of 1.6% from the previous year. The vast majority of net position in the wastewater fund is in the form of capital assets (net of related debt); 92.3% or \$10,272,328. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013**

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget for the year ended June 30, 2013 passed on the first vote in March of 2012 and there were no amendments made to the budget during the year. Actual revenues exceeded budgeted revenues by \$134,179.

Recreation revenue exceeded budgeted revenue in the amount of \$152,712 primarily from debt proceeds used for capital projects and equipment. Planning and Development also came in over budget by \$336,528 with the final payment from an agreement with J. L. Davis Properties revolving around the completion of Wal-Mart project. These favorable variances were offset by a shortfall of revenue from payments of prior years' taxes equal to \$324,200. The City's budget is prepared on a cash basis therefore includes budgeted revenue for cash payments on delinquent taxes, the revenue for which has been recognized in prior years on an accrual and modified accrual basis. Expenditures were underspent by \$265,508 driven by savings in Police, Dispatch and Animal Control of \$214,145 and in Administration of \$171,584. These favorable expenditure variances were offset by \$147,582 in unbudgeted in Recreation capital expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2013 were \$44,274,549 (before depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The City's combined investment in capital assets increased by \$3,933,827 from June 30, 2012 to June 30, 2013, or 9.8%. Combined accumulated depreciation at the end of the year is \$15,314,932. Capital assets for governmental activities increased by \$1,574,564, or 23.8%, net of accumulated depreciation. Capital assets for business-type activities increased by \$1,034,427 or 5.2%, net of accumulated depreciation. An increase in construction in progress related to the Streetscape Improvement Project, the Parking Garage, and the Fairfax Dam construction are driving the increase in all funds.

CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013

Summary of Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Capital Assets:						
Land	\$ 940,932	\$ 940,932	\$ 202,012	\$ 202,012	\$ 1,142,944	\$ 1,142,944
Construction in Progress	2,475,152	1,039,425	1,849,001	127,792	4,324,153	1,167,217
Buildings and Improvements	1,727,538	1,658,439	29,178,241	29,128,241	30,905,779	30,786,680
Machinery and Equipment	3,162,490	2,999,978	2,650,825	2,436,569	5,813,315	5,436,547
Infrastructure	2,088,358	1,807,335	-	-	2,088,358	1,807,335
	10,394,470	8,446,109	33,880,079	31,894,614	44,274,549	40,340,723
Less: Accumulated Depreciation	(2,194,513)	(1,820,715)	(13,120,419)	(12,169,381)	(15,314,932)	(13,990,096)
Total Assets, Net	<u>\$ 8,199,957</u>	<u>\$ 6,625,394</u>	<u>\$ 20,759,660</u>	<u>\$ 19,725,233</u>	<u>\$ 28,959,617</u>	<u>\$ 26,350,627</u>

Major capital asset activity for the year ended June 30, 2013 included the following:

- Construction in process increased substantially during the year. The major project is the Streetscape Improvement Project adding \$1.9 million to construction in process between the general fund, water fund and wastewater fund. In the water fund replacing the Fairfax South Reservoir Dam contributed \$971,000 to construction in process. Both of these projects are scheduled to be completed during FY2014 and will be capitalized and depreciated upon completion.
- Paving projects totaling \$101,480 and major sidewalk projects totaling \$78,840 were completed during the year contributing to the increase in governmental activities infrastructure.
- The tennis courts and basketball court at the Barlow Street Community Center was completely replaced for \$100,702; this was less than anticipated cost of \$120,000.

Additional information on the City's capital assets can be found in Footnote D. Capital Assets.

Long-Term Debt

The City began the year with \$9,815,171 in long-term debt outstanding. As of June 30, 2013 this amount had increased by \$3,448,274 or 3.5% to end the current year with \$13,263,445 in long-term debt outstanding. Long-term debt outstanding increased for both governmental activities (\$2,839,795) and business-type activities (\$608,479).

Summary of Long Term Debt

	June 30, 2012	Additions	Deletions	June 30, 2013
Governmental Activities	\$ 1,673,582	\$ 3,148,466	\$ 308,671	\$ 4,513,377
Business-type Activities	8,141,589	1,234,226	625,747	8,750,068
Total Government	<u>\$ 9,815,171</u>	<u>\$ 4,382,692</u>	<u>\$ 934,418</u>	<u>\$ 13,263,445</u>

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Factors contributing to the change include the following:

- The City's governmental activities debt increased with the addition of three loans and one capital lease. The three loans were \$100,600 for the construction of the Barlow Street Tennis and Basketball courts, \$17,113 for a portion of a new Mini Excavator, and \$3,000,000 for voter approved TIF projects. The capital lease for \$30,753 was to purchase a fifteen passenger van for the recreation department.
- New debt for the business-type activities included \$1,200,000 for the Fairfax Dam project, and \$17,114 in each the water and wastewater fund for the new Mini Excavator.
- Principal payments totaling \$308,671 were made on governmental activities debt and principal payments totaling \$625,747 were made on business-type activities debt.

Additional information about long-term debt can be found in Footnote G. Long-term Liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors: Outlook and Future Development

The City is deeply engaged in economic development, transportation, and public infrastructure initiatives designed to increase the tax base and revitalize the City. The cornerstone of this effort is a Tax Increment Finance District (TIF) that was recently approved by the State of Vermont and local voters.

In brief, tax increment financing allows a municipality to issue bonds for public improvements and service those bonds using 75% of the incremental increase in property values in the district.

In September 2013, voters authorized \$13 million in tax increment financing bonds for a parking garage. The parking garage is critical public infrastructure necessary to construct a forty thousand square foot office building and encourage additional private investment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office at 100 North Main St., St. Albans, VT 05478. The report is available online at www.stalbansvt.com.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,903,115	\$ 1,140,918	\$ 4,044,033
Investments	55,712	0	55,712
Receivables (Net of Allowance for Uncollectibles)	1,417,993	1,103,820	2,521,813
Loans Receivable	101,579	0	101,579
Notes Receivable	0	14,524	14,524
Land Held for Resale	63,814	0	63,814
Inventory	9,951	31,652	41,603
Internal Balances	(580,226)	580,226	0
Capital Assets			
Land	940,932	202,012	1,142,944
Construction in Progress	2,475,152	1,849,001	4,324,153
Other Capital Assets, (Net of Accumulated Depreciation)	<u>4,783,873</u>	<u>18,708,647</u>	<u>23,492,520</u>
Total Assets	<u>12,171,895</u>	<u>23,630,800</u>	<u>35,802,695</u>
LIABILITIES			
Accounts Payable	948,613	98,193	1,046,806
Accrued Payroll and Benefits Payable	90,005	9,014	99,019
Unearned Revenue	76,021	69,862	145,883
Accrued Interest Payable	8,434	83,602	92,036
Line of Credit Payable	495,514	0	495,514
Noncurrent Liabilities:			
Due within One Year	314,579	432,286	746,865
Due in More than One Year	<u>4,615,795</u>	<u>8,477,802</u>	<u>13,093,597</u>
Total Liabilities	<u>6,548,961</u>	<u>9,170,759</u>	<u>15,719,720</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid Property Taxes	<u>29,806</u>	<u>0</u>	<u>29,806</u>
Total Deferred Inflows of Resources	<u>29,806</u>	<u>0</u>	<u>29,806</u>
NET POSITION			
Net Investment in Capital Assets	7,119,924	12,009,592	19,129,516
Restricted:			
Revolving Loan Fund	213,407	0	213,407
Taylor Park	2,131	0	2,131
Unrestricted/(Deficit)	<u>(1,742,334)</u>	<u>2,450,449</u>	<u>708,115</u>
Total Net Position	<u>\$ 5,593,128</u>	<u>\$ 14,460,041</u>	<u>\$ 20,053,169</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 760,536	\$ 492,848	\$ 43,000	\$ 0	\$ (224,688)	\$ 0	\$ (224,688)
Public Safety	4,504,074	1,197,101	791,777	0	(2,515,196)	0	(2,515,196)
Public Works	610,692	86,756	113,827	1,264,603	854,494	0	854,494
Culture and Recreation	540,147	436,241	4,132	0	(99,774)	0	(99,774)
Community Development	2,005,440	1,000	153,558	0	(1,850,882)	0	(1,850,882)
Interest on Long-term Debt	74,998	0	0	0	(74,998)	0	(74,998)
Total Governmental Activities	8,495,887	2,213,946	1,106,294	1,264,603	(3,911,044)	0	(3,911,044)
Business-Type Activities:							
Water	1,885,455	2,102,458	0	203,848	0	420,851	420,851
Sewer	2,842,362	2,745,270	0	248,848	0	151,756	151,756
Total Business-Type Activities	4,727,817	4,847,728	0	452,696	0	572,607	572,607
Total Primary Government	\$ 13,223,704	\$ 7,061,674	\$ 1,106,294	\$ 1,717,299	(3,911,044)	572,607	(3,338,437)
General Revenues:							
Property Taxes					3,763,707	0	3,763,707
Interest and Penalties on Delinquent Taxes					55,706	0	55,706
Unrestricted Investment Earnings					2,994	51,744	54,738
General State Grants					95,416	0	95,416
Other Revenues					17,670	0	17,670
Gain on Sale of Capital Assets					850	0	850
Total General Revenues					3,936,343	51,744	3,988,087
Change in Net Position					25,299	624,351	649,650
Net Position - July 1, 2012					5,567,829	13,835,690	19,403,519
Net Position - June 30, 2013					<u>\$ 5,593,128</u>	<u>\$ 14,460,041</u>	<u>\$ 20,053,169</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	TIF Fund	Streetscape Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 2,837,844	\$ 0	\$ 0	\$ 65,271	\$ 2,903,115
Investments	55,712	0	0	0	55,712
Receivables (Net of Allowance for Uncollectibles)	438,852	0	765,775	213,366	1,417,993
Due from Other Funds	0	1,005,053	478,362	15,996	1,499,411
Advances to Other Funds	191,687	0	0	50,476	242,163
Loans Receivable (Net of Allowance for Doubtful Accounts)	0	0	0	101,579	101,579
Land Held for Resale	0	63,814	0	0	63,814
Inventory	9,951	0	0	0	9,951
Total Assets	\$ 3,534,046	\$ 1,068,867	\$ 1,244,137	\$ 446,688	\$ 6,293,738
LIABILITIES					
Accounts Payable	\$ 81,476	\$ 74,929	\$ 748,623	\$ 43,585	\$ 948,613
Accrued Payroll and Benefits Payable	89,004	0	0	1,001	90,005
Due to Other Funds	2,069,049	0	0	10,588	2,079,637
Advances from Other Funds	0	0	0	242,163	242,163
Line of Credit Payable	0	0	495,514	0	495,514
Unearned Revenue	66,413	0	0	9,608	76,021
Total Liabilities	2,305,942	74,929	1,244,137	306,945	3,931,953
DEFERRED INFLOWS OF RESOURCES					
Prepaid Property Taxes	29,806	0	0	0	29,806
Unavailable Revenue - Property Taxes	238,000	0	0	0	238,000
Unavailable Revenue - Other	28,763	0	489,134	286,874	804,771
Total Deferred Inflows of Resources	296,569	0	489,134	286,874	1,072,577
FUND BALANCES (DEFICIT)					
Nonspendable	201,638	63,814	0	50,476	315,928
Restricted	20,000	930,124	0	63,483	1,013,607
Assigned	709,897	0	0	0	709,897
Unassigned	0	0	(489,134)	(261,090)	(750,224)
Total Fund Balances/(Deficit)	931,535	993,938	(489,134)	(147,131)	1,289,208
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,534,046	\$ 1,068,867	\$ 1,244,137	\$ 446,688	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	8,199,957
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Funds.	1,042,771
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	<u>(4,938,808)</u>
Net Position of Governmental Activities	\$ <u>5,593,128</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	TIF Fund	Streetscape Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 3,753,707	\$ 0	\$ 0	\$ 0	\$ 3,753,707
Penalties and Interest	55,706	0	0	0	55,706
Intergovernmental Revenues	952,832	0	746,851	374,504	2,074,187
Charges for Services	1,610,276	0	0	0	1,610,276
Investment Income	2,867	0	0	127	2,994
Licenses and Permits	468,198	0	0	0	468,198
Other Revenue	92,883	1,340	0	3,240	97,463
Total Revenues	<u>6,936,469</u>	<u>1,340</u>	<u>746,851</u>	<u>377,871</u>	<u>8,062,531</u>
EXPENDITURES					
Current:					
General Government	788,333	0	0	24,717	813,050
Public Safety	4,015,975	0	0	124,820	4,140,795
Public Works	546,484	0	0	0	546,484
Culture and Recreation	433,372	0	0	2,552	435,924
Community Development	0	1,851,382	0	154,058	2,005,440
Capital Outlay:					
General Government	56,130	0	0	0	56,130
Public Safety	89,893	0	0	0	89,893
Public Works	238,917	108,658	1,235,985	91,085	1,674,645
Culture and Recreation	158,040	0	0	0	158,040
Debt Service:					
Principal	308,671	0	0	0	308,671
Interest	45,933	23,518	0	0	69,451
Total Expenditures	<u>6,681,748</u>	<u>1,983,558</u>	<u>1,235,985</u>	<u>397,232</u>	<u>10,298,523</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>254,721</u>	<u>(1,982,218)</u>	<u>(489,134)</u>	<u>(19,361)</u>	<u>(2,235,992)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of Long-Term Debt	148,466	3,000,000	0	0	3,148,466
Transfers In	0	0	0	3,500	3,500
Transfers Out	(3,500)	0	0	0	(3,500)
Total Other Financing Sources/(Uses)	<u>144,966</u>	<u>3,000,000</u>	<u>0</u>	<u>3,500</u>	<u>3,148,466</u>
Net Change in Fund Balances	399,687	1,017,782	(489,134)	(15,861)	912,474
Fund Balances/(Deficit) - July 1, 2012	<u>531,848</u>	<u>(23,844)</u>	<u>0</u>	<u>(131,270)</u>	<u>376,734</u>
Fund Balances/(Deficit) - June 30, 2013	<u>\$ 931,535</u>	<u>\$ 993,938</u>	<u>\$ (489,134)</u>	<u>\$ (147,131)</u>	<u>\$ 1,289,208</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	912,474
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,978,708) is allocated over their estimated useful lives and reported as depreciation expense (\$404,145). This is the amount by which capital outlays exceeded depreciation in the current period.		1,574,563
The issuance of long-term debt (\$3,148,466) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$308,671) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(2,839,795)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the increase of unearned and unavailable revenue over last year.		499,028
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(120,971)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>25,299</u></u>

The General Fund charges the Water and Sewer Funds for administrative expenses. These charges totaling \$74,825 have been eliminated from the Governmental Activities on the Statement of Activities.

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water Fund	Wastewater Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 582,325	\$ 558,593	\$ 1,140,918
Receivables (Net of Allowance for Uncollectible Accounts)	460,315	643,505	1,103,820
Notes Receivable, Current Portion	0	2,941	2,941
Inventory	19,377	12,275	31,652
Due from Other Funds	710,631	0	710,631
Total Current Assets	1,772,648	1,217,314	2,989,962
Noncurrent Assets:			
Notes Receivable	0	11,583	11,583
Capital Assets			
Land	155,000	47,012	202,012
Construction in Progress	1,465,683	383,318	1,849,001
Buildings, Distribution and Collection System and Improvements	7,318,389	21,859,852	29,178,241
Vehicles, Machinery and Equipment	1,197,988	1,452,838	2,650,826
Less Accumulated Depreciation	(3,684,406)	(9,436,014)	(13,120,420)
Total Noncurrent Assets	6,452,654	14,318,589	20,771,243
Total Assets	\$ 8,225,302	\$ 15,535,903	\$ 23,761,205
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 34,848	\$ 63,345	\$ 98,193
Accrued Payroll	3,940	5,074	9,014
Due to Other Funds	0	130,405	130,405
Unearned Revenue	69,862	0	69,862
Accrued Interest Payable	18,896	64,706	83,602
Bonds Payable - Current Portion	93,465	169,583	263,048
Notes Payable - Current Portion	53,660	115,578	169,238
Total Current Liabilities	274,671	548,691	823,362
Noncurrent Liabilities			
Compensated Absences Payable	56,478	103,542	160,020
Bonds Payable - Noncurrent Portion	3,411,129	3,703,793	7,114,922
Notes Payable - Noncurrent Portion	1,157,136	45,724	1,202,860
Total Noncurrent Liabilities	4,624,743	3,853,059	8,477,802
Total Liabilities	4,899,414	4,401,750	9,301,164
NET POSITION			
Net Investment in Capital Assets	1,737,264	10,272,328	12,009,592
Unrestricted	1,588,624	861,825	2,450,449
Total Net Position	3,325,888	11,134,153	14,460,041
Total Liabilities and Net Position	\$ 8,225,302	\$ 15,535,903	\$ 23,761,205

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Wastewater Fund	Total
Operating Revenues:			
Charges for Services	\$ 1,989,993	\$ 2,616,505	\$ 4,606,498
Penalties and Interest	13,777	16,097	29,874
Allocation Fees	79,800	95,507	175,307
Land Lease	15,000	0	15,000
Other Income	3,888	2,161	6,049
Total Operating Revenues	2,102,458	2,730,270	4,832,728
Operating Expenses:			
Salaries and Benefits	612,900	783,105	1,396,005
Other Purchased Services	104,228	236,906	341,134
Chemicals	152,153	360,259	512,412
Repairs and Maintenance	105,214	98,744	203,958
Insurances	52,950	52,950	105,900
Utilities	260,732	223,354	484,086
Supplies	16,731	21,705	38,436
Real Estate and State Water Taxes	59,222	4,704	63,926
Other Operating Costs	129,482	199,585	329,067
Depreciation	249,415	709,528	958,943
Total Operating Expenses	1,743,027	2,690,840	4,433,867
Operating Income	359,431	39,430	398,861
Nonoperating Revenues (Expenses):			
Investment Income	23,320	28,424	51,744
Proceeds from Loan Receivable	0	15,000	15,000
Interest Expense	(142,428)	(151,522)	(293,950)
Total Nonoperating Revenues (Expenses)	(119,108)	(108,098)	(227,206)
Net Income Before Capital Contributions	240,323	(68,668)	171,655
Capital Contributions	203,848	248,848	452,696
Change in Net Position	444,171	180,180	624,351
Net Position - July 1, 2012	2,881,717	10,953,973	13,835,690
Net Position - June 30, 2013	\$ 3,325,888	\$ 11,134,153	\$ 14,460,041

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 2,153,797	\$ 2,745,714	\$ 4,899,511
Other Receipts	18,888	2,161	21,049
Payments to Suppliers	(839,979)	(1,209,870)	(2,049,849)
Payment of Taxes	(59,222)	(4,704)	(63,926)
Payments for Wages and Benefits	<u>(612,397)</u>	<u>(785,003)</u>	<u>(1,397,400)</u>
Net Cash Provided by Operating Activities	<u>661,087</u>	<u>748,298</u>	<u>1,409,385</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Notes Receivable	0	476	476
Decrease/(Increase) in Due from Other Funds	<u>(87,368)</u>	<u>181,421</u>	<u>94,053</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(87,368)</u>	<u>181,897</u>	<u>94,529</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	203,848	198,848	402,696
Acquisition and Construction of Capital Assets	(1,477,611)	(465,759)	(1,943,370)
Proceeds of Long-Term Debt	1,217,113	17,113	1,234,226
Principal Paid on:			
General Obligation Bonds	(89,929)	(166,258)	(256,187)
Notes Payable	(134,289)	(222,229)	(356,518)
Capital Leases	(6,521)	(6,521)	(13,042)
Interest Paid on:			
General Obligation Bonds	(139,498)	(80,793)	(220,291)
Notes Payable	(3,746)	(8,231)	(11,977)
Capital Leases	<u>(195)</u>	<u>(195)</u>	<u>(390)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(430,828)</u>	<u>(734,025)</u>	<u>(1,164,853)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest & Dividends	<u>23,320</u>	<u>28,424</u>	<u>51,744</u>
Net Cash Provided by Investing Activities	<u>23,320</u>	<u>28,424</u>	<u>51,744</u>
Net Increase in Cash	166,211	224,594	390,805
Cash - July 1, 2012	<u>416,114</u>	<u>333,999</u>	<u>750,113</u>
Cash - June 30, 2013	<u>\$ 582,325</u>	<u>\$ 558,593</u>	<u>\$ 1,140,918</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	359,431	39,430	398,861
Depreciation	249,415	709,528	958,943
(Increase)/Decrease in Receivables	4,795	17,605	22,400
(Increase)/Decrease in Inventory	(3,982)	1,693	(2,289)
Increase/(Decrease) in Accounts Payable	(14,507)	(18,060)	(32,567)
Increase/(Decrease) in Accrued Payroll	550	845	1,395
Increase/(Decrease) in Unearned Revenue	65,432	0	65,432
Increase/(Decrease) in Compensated Absences Payable	<u>(47)</u>	<u>(2,743)</u>	<u>(2,790)</u>
Net Cash Provided by Operating Activities	<u>\$ 661,087</u>	<u>\$ 748,298</u>	<u>\$ 1,409,385</u>
Schedule of Non-Cash Capital and Related Financing Activities:			
Issuance of Note Receivable	0	15,000	15,000
Contributions of Capital Assets	0	50,000	50,000

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Pension Trust Fund	Agency Fund <u>SAFF Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 11,500	\$ 11,500
Investments	3,916,318	0	3,916,318
Receivables	<u>14,982</u>	<u>0</u>	<u>14,982</u>
Total Assets	<u>3,931,300</u>	<u>11,500</u>	<u>3,942,800</u>
LIABILITIES			
Due to Other Organizations	<u>0</u>	<u>11,500</u>	<u>11,500</u>
Total Liabilities	<u>0</u>	<u>11,500</u>	<u>11,500</u>
NET POSITION			
Held in Trust For:			
Employees' Pension Benefits	<u>3,931,300</u>	<u>0</u>	<u>3,931,300</u>
Total Net Position	<u>\$ 3,931,300</u>	<u>\$ 0</u>	<u>\$ 3,931,300</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 200,000
Plan Members	<u>61,483</u>
Total Contributions	261,483
Net Investment Earnings	<u>197,392</u>
Total Additions	<u>458,875</u>
DEDUCTIONS	
Benefits - Pension	378,748
Administrative Expenses	<u>26,270</u>
Total Deductions	<u>405,018</u>
Change in Net Position	53,857
Net Position - July 1, 2012	<u>3,877,443</u>
Net Position- June 30, 2013	<u><u>\$ 3,931,300</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The City of St. Albans, Vermont (herein the "City") is a municipal corporation operating under a council-manager form of government. It is governed by seven (7) elected officials ó a mayor and six (6) council members. The City is made up of six (6) individual wards, each being represented by one (1) of the six (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 as authorized by its charter: public safety (police, ambulance, fire and animal control), highways and streets, sanitation, culture and recreation, community and economic development, planning and zoning, water, wastewater and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The City reports on the following major governmental funds:

General Fund ó This is the City's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

TIF Fund ó This special revenue fund is used to account for all expenditures, revenues, and debt service related to the tax increment financing (TIF) district.

Streetscape Fund ó This capital project fund accounts for all expenditures, revenues, and grants related to the Main Street Streetscape project.

The City reports on the following major enterprise funds:

Water Fund ó This fund accounts for the operations of the Water Department of the City.

Wastewater Fund ó This fund accounts for the operations of the Wastewater Department of the City.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Additionally, the City reports the following fund types:

Pension Trust Fund ó This fund accounts for monies contributed by the City and its employees and the income on investments expended for the pensions of retired City employees.

Agency Fund ó This fund accounts for monies maintained for a local group called Saint Albans for the Future.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

E. Use of Estimates

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

F. New Pronouncement – Deferred Outflows/Inflows of Resources

Effective June 30, 2013, the City implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis" for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City did not have any items that qualified for reporting in this category.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, "unavailable revenue", is reported in the statement of net position and governmental funds balance sheet. The statement of net position reports unavailable revenues from one source; prepaid taxes. The governmental funds balance sheet reports unavailable revenues from three sources; property taxes, prepaid taxes and unavailable grants receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

G. Assets, Liabilities and Equity

1. Cash

Cash balances of most City funds are deposited with and invested by the City Treasurer. The City considers all short-term investments of ninety (90) days or less to be cash equivalents.

2. Investments

The City invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

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

4. Internal Balances

Activity between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "Due to/from Other Funds" (i.e., the current portion) or "Advances to/from Other Funds" (i.e., the non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Cash balances deposited and invested by the Treasurer in a combined cash account are reported as "Due to/from Other Funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (nonspendable fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

5. Inventories

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the governmental funds consists of salt and sand and inventories in the proprietary funds consists primarily of chemicals.

Inventories of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

6. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. The City has capitalized \$36,288 of interest in the proprietary funds. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year June 30, 2004. The City has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 5,000	Not Depreciated
Buildings and Building Improvements	5,000	40 Years
Vehicles	5,000	4-15 Years
Machinery, Equipment and Furniture	5,000	8-20 Years
Roads, Bridges, and Sidewalks	5,000	30-50 Years
Water and Wastewater Distribution and and Collection Systems	5,000	60 - 100 Years

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7. Compensated Absences

It is the policy of the City to permit employees to accumulate earned but unused vacation time up to two hundred forty (240) hours. Public safety employees may accumulate earned but unused comp time up to two hundred forty (240) hours and all other employees may accumulate earned but unused comp time up to one hundred sixty (160) hours. The value of this leave time will be paid at the employee's current rate of pay upon retirement, termination or death. In addition to this, employees hired before July 1, 2008 can accrue up to six hundred forty (640) hours of sick leave, and will be paid the value of this leave time at their current rate of pay upon retirement, termination or death. Employees hired after July 1, 2008 can accrue up to two hundred forty (240) hours with one hundred sixty (160) hours vested for payment upon retirement, termination, or death. Payments for unused compensated absences in the governmental funds are recorded as expenditures in the year they are paid.

8. Long-term Liabilities

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

9. Fund Equity

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

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

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual City Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments as of June 30, 2013 consisted of the following:

Cash:

Cash on Hand	\$ 600
Cash with Financial Institutions	<u>4,054,933</u>
Total Cash	<u>4,055,533</u>

Investments:

Mutual Funds ó Cash Equivalents	55,712
Annuity Contracts	<u>3,916,318</u>
Total Investments	<u>3,972,030</u>
Total Cash and Investments	<u>\$ 8,027,563</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party to a transaction (e.g. broker-dealer), a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City does not have any policy to limit the exposure to custodial credit risk. The mutual funds are in the name of the City and are not exposed to custodial credit risk. The annuity contract is a group annuity contract issued by Prudential Retirement Insurance and Annuity Company (PRIAC). The following table shows the custodial credit risk of the City's deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 309,305	\$ 309,305
Uninsured, Uncollateralized (Offset by Debt to the Respective Bank)	<u>3,801,340</u>	<u>4,196,135</u>
Total Cash Deposits	<u>\$ 4,110,645</u>	<u>\$ 4,505,440</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher at year end.

Deposits are comprised of the following:

Cash with Financial Institutions	\$ 4,054,933
Mutual Funds ó Cash Equivalents	<u>55,712</u>
Total Cash Deposits	<u>\$ 4,110,645</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have any policy to limit the exposure to interest rate risk. The City has no assets with exposure to interest rate risk.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization such as Standard and Poor's or Moody's rating services. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The City's cash equivalents with the broker are exempt from credit risk analysis. The City does not have any policy to limit the exposure to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the City's investments are held within one security. The City does not have any limitations on the amount that can be invested in any one issuer. The City has 100% of their mutual funds invested in Federated Treasury Cash Equivalents and 100% of their retirement investments invested in annuity contracts with PRIAC.

B. Receivables

Receivables at June 30, 2013, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows.

	Governmental Activities	Business-Type Activities	Total
Delinquent Taxes	\$ 307,209	\$ 0	\$ 307,209
Penalties and Interest	44,730	0	44,730
Billed Services	0	782,604	782,604
Unbilled Services	0	235,084	235,084
Grants	964,890	0	964,890
Allocation Fees and Interest	0	57,494	57,494
Other	125,910	43,138	169,048
Reimbursements	6,254	0	6,254
Allowance for Doubtful Accounts	(31,000)	(14,500)	(45,500)
	<u>\$ 1,417,993</u>	<u>\$ 1,103,820</u>	<u>\$ 2,521,813</u>

C. Loans and Notes Receivable

Loans Receivable at June 30, 2013 consists of five (5) loans for community development as follows.

Governmental Funds

Loan Receivable; Local Business; Interest at 1%; Balloon Payment Plus Interest Due October 27, 2016; Secured by a Mortgage on Real Estate	\$ 65,000
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CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Loan Receivable; Local Business; Interest at 1%; Balloon Payment Plus Interest Due February 3, 2017; Secured By a Mortgage on Real Estate	\$ 35,000
Loan Receivable; Local Nonprofit; Interest at 0%; Balloon Payment Due December 31, 2032; Secured by a Mortgage Deed on Real Property	360,000
Loan Receivable; Local Nonprofit; Interest at 0%; Balloon Payment Due January 14, 2035; Secured by a Mortgage Deed on Real Property	480,001
Loan Receivable; Local Nonprofit; Interest at 0%; Balloon Payment Due March 15, 2037; Secured by a Mortgage Deed on Real Property	<u>579,600</u>
Total	<u>1,519,601</u>
Plus: Accrued Interest on Note	1,579
Less: Allowance for Doubtful Loans Receivable	<u>(1,419,601)</u>
Governmental Funds Reported Balance at June 30, 2013	\$ <u>101,579</u>

An analysis of the change in loans receivable is as follows:

Balance July 1, 2012	Additions	Payments	Amounts Written Off	Balance June 30, 2013
\$ <u>1,519,601</u> *	\$ _____ 0	\$ _____ 0	\$ _____ 0	<u>\$1,519,601</u>

* The beginning balance has been restated by \$1,419,601 to reflect three (3) loans not previously reported.

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Notes Receivable at June 30, 2013 consists of one (1) note for acquisition of a pump station in the Wastewater Fund as follows.

Proprietary Funds

Note Receivable; Local Contractor; Interest at 5%; Monthly Interest and Principal Payments of \$300; Due January 5, 2018	\$ <u>14,524</u>
Proprietary Funds Reported Balance at June 30, 2013	\$ <u><u>14,524</u></u>

An analysis of the change in notes receivable is as follows:

<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Amounts</u> <u>Written Off</u>	<u>Balance</u> <u>June 30, 2013</u>
\$ <u>0</u>	\$ <u>15,000</u>	\$ <u>476</u>	\$ <u>0</u>	\$ <u>14,524</u>

D. Land Held for Resale

The Land Held for Resale of \$63,814 consists of a parcel of land purchased within the TIF District of the City. This land was sold in fiscal year 2014 for \$63,814.

E. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 940,932	\$ 0	\$ 0	\$ 940,932
Construction in Progress	<u>1,039,425</u>	<u>1,435,727</u>	<u>0</u>	<u>2,475,152</u>
Total Capital Assets, Not Being Depreciated	<u>1,980,357</u>	<u>1,435,727</u>	<u>0</u>	<u>3,416,084</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,658,439	69,099	0	1,727,538
Vehicles, Machinery and Equipment	2,999,978	192,859	30,347	3,162,490
Infrastructure	<u>1,807,335</u>	<u>281,023</u>	<u>0</u>	<u>2,088,358</u>
	<u>6,465,752</u>	<u>542,981</u>	<u>30,347</u>	<u>6,978,386</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	745,527	36,650	0	782,177
Vehicles, Machinery and Equipment	902,313	298,622	30,347	1,170,588
Infrastructure	<u>172,875</u>	<u>68,873</u>	<u>0</u>	<u>241,748</u>
Totals	<u>1,820,715</u>	<u>404,145</u>	<u>30,347</u>	<u>2,194,513</u>
Total Capital Assets, Being Depreciated	<u>4,645,037</u>	<u>138,836</u>	<u>0</u>	<u>4,783,873</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,625,394</u>	<u>\$ 1,574,563</u>	<u>\$ 0</u>	<u>\$ 8,199,957</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 202,012	\$ 0	\$ 0	\$ 202,012
Construction in Progress	127,792	1,721,209	0	1,849,001
Total Capital Assets, Not Being Depreciated	329,804	1,721,209	0	2,051,013
Capital Assets, Being Depreciated:				
Buildings, Distribution and Collection				
Systems & Improvements	29,128,241	50,000	0	29,178,241
Machinery and Equipment	2,436,569	222,161	7,905	2,650,825
Totals	31,564,810	272,161	7,905	31,829,066
Less Accumulated Depreciation for:				
Buildings, Distribution and Collection				
Systems & Improvements	10,892,180	739,318	0	11,631,498
Machinery and Equipment	1,277,201	219,625	7,905	1,488,921
Totals	12,169,381	958,943	7,905	13,120,419
Total Capital Assets, Being Depreciated	19,395,429	(686,782)	0	18,708,647
Business-Type Activities Capital Assets, Net	\$ 19,725,233	\$ 1,034,427	\$ 0	\$ 20,759,660

Beginning balances in business-type activities machinery and equipment and related accumulated depreciation have been increased by \$10,615 to reflect an asset that was removed in error in the prior year.

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 6,754	Water	\$ 249,415
Public Safety	261,027	Sewer	709,528
Public Works	111,043		
Culture and Recreation	25,321		
Total Depreciation		Total Depreciation	
Expense - Governmental		Expense - Business-	
Activities	\$ 404,145	Type Activities	\$ 958,943

The City purchased a building known as the Fonda/Solo Building in 2007. This building, along with its 5.1 acre site, had pollution remediation obligations. The City has outstanding debt on this property totaling \$325,816. This building is being held for resale, however, in 2009, the City recognized an impairment loss due to the remediation liability. These remediation costs, however, were funded with grants. In 2012, the City demolished the building.

CITY OF ST. ALBANS, VERMONT
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F. Interfund Balances and Activity

The composition of Due From/(To) Other Funds at June 30, 2013 is as follows:

<u>Fund Name</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 2,069,049
TIF Fund	1,005,053	0
Streetscape Fund	478,362	0
Other Governmental Funds	15,996	10,588
Water Fund	710,631	0
Wastewater Fund	<u>0</u>	<u>130,405</u>
 Total	 <u>\$ 2,210,042</u>	 <u>\$ 2,210,042</u>

The composition of Advances To/(From) Other Funds at June 30, 2013 is as follows:

General Fund	\$ 191,687	\$ 0
Revolving Loan Fund	50,476	0
Solo Building Fund	0	54,548
Fonda Remediation Fund	0	25,909
Federal Street Bypass Fund	<u>0</u>	<u>161,706</u>
 Total	 <u>\$ 242,163</u>	 <u>\$ 242,163</u>

The advances will be repaid as receivables are collected and when the Fonda building site is sold.

Interfund transfers during the year ended June 30, 2013 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	VCDP Grants Fund	\$ <u>3,500</u>	Fund local match on grants
Total		<u>\$ 3,500</u>	

G. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue in the General Fund consists of \$6,000 of parking fees received in advance; \$41,640 of payments for recreation programs for fiscal year 2014 and \$18,773 of grant revenue received in advance. The revenue will be recognized as parking and other services are provided and as expenses are incurred for the grants. Total Unearned Revenue in the General Fund is \$66,413.

Unearned revenue in the Other Governmental Funds consists of \$4,508 of grant revenue received in advance and \$5,100 of contributions for the Reconstitution Committee received in advance. The revenue will be recognized as the next phase of the project commences and as expenses are incurred. Total unearned revenue in the Other Governmental Funds is \$9,608.

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Unearned revenue in the Water Fund of \$69,862 consists of water fees received in advance. This revenue will be earned in 2014 as water fees are billed.

Deferred inflows of resources in the General Fund consists of \$29,806 of prepaid property taxes received in advance as well as \$238,000 of delinquent property taxes, penalties and interest on those taxes and \$28,763 in other receivables that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the General Fund are \$296,569.

Deferred inflows of resources in the Streetscape Fund consists of \$489,134 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Other Governmental Funds consists of \$101,579 of net loans receivable and \$185,295 of grants receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. The revenue will be recognized as the loans are repaid and the receivables are collected. Total deferred inflows of resources in the Other Governmental Funds are \$286,874.

H. Long-term Liabilities

General Obligation Bonds - The City issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds generally are issued as 10 to 20 year bonds.

No-Interest Revolving Loans - The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer projects.

Other Notes Payable - The City has other notes payable to finance various capital projects and purchases through local banks.

Capital Lease Obligations - The City enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenue and in the business-type activities if the debt is expected to be repaid from proprietary fund revenue.

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Compensated Absences - It is the policy of the City to permit employees to accumulate vacation, comp-time and sick leave time, the value of which will be paid at their current rate of pay upon retirement, termination or death as discussed in Note I.F.7. The accrual for compensated absences, based on current rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Net Pension Obligation ó In previous years, payments made by the City to the pension plan have been less than the annual required contribution resulting in a net pension obligation.

Long-term liabilities outstanding as of June 30, 2013 were as follows.

Bonds, Notes and Capital Leases Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Note Payable ó Peoples Trust Company; Blouin Parking Lot; Interest at 3.50%; Monthly Principal and Interest Payments of \$1,252; Due November 4, 2020	\$ 108,430	\$ 0	\$ 10,428	\$ 98,002
Note Payable ó Peoples Trust Company; 32 Nason Street Property; Interest at 3.75%; Monthly Principal and Interest Payments of \$997; Due December 25, 2016	48,345	0	10,328	38,017
Note Payable ó Peoples Trust Company; Fonda Building Purchase; Interest at 2.25%; Due July 23, 2013; The City is Making Interest Only Payments and Renewing Each Year Until the Property is Sold. The Note was renewed until July 23, 2014 with interest at 1.75%	325,816	0	0	325,816
Note Payable ó Peoples Trust Company; Fire Truck Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,764; Due April 28, 2014	35,706	0	20,441	15,265

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	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Bond Payable ó Vermont Municipal Bond Bank; Retirement of the Fund Balance Deficit in the General Fund; Interest Varies from 1.90% to 4.87%; Annual Principal Payments Ranging from \$95,000 to \$100,000 Due Each November; Semi-Annual Interest Payments Due Each May and November Due November 15, 2014	\$ 285,000	\$ 0	\$ 95,000	\$ 190,000
Note Payable ó Peoples Trust Company; Purchase of Little League Fields; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,563; Due July 23, 2014	37,933	0	17,937	19,996
Note Payable ó Peoples Trust Company; Purchase of 27-33 Federal Street; Interest at 3.75%; Monthly Principal and Interest Payments of \$1,665; Due September 4, 2023	183,266	0	13,401	169,865
Bond Payable ó Vermont Municipal Bond Bank; Library Improvements; Interest at 5.00%; Annual Principal Payments Ranging from \$35,000 to \$40,000 Due Each December; Semi-Annual Interest Payments Due Each June and December; Due December 1, 2014	105,000	0	35,000	70,000
Note Payable ó Peoples Trust Company; Court House Parking Lot; Interest at 3.75%; Monthly Principal and Interest Payments of \$1,501; Due July 14, 2020	125,412	0	13,527	111,885
Note Payable ó Peoples Trust Company; One Third (33.34%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	35,992	0	7,867	28,125

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	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Note Payable ó Peoples Trust Company; Federal Street Project Local Match; Interest at 1.75%; Monthly Principal and Interest Payments of \$2,222; Due June 30, 2013 at Which Time the City Refinanced the Note for One Year with the Same Payments and Interest at 1.65%.	\$ 68,000	\$ 0	\$ 23,520	\$ 44,480
Note Payable ó Peoples Trust Company; Sidewalk Plow Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,473; Due March 21, 2017	78,624	0	15,711	62,913
Note Payable ó Peoples Trust Company; Houghton Park Tennis Court Upgrades; Interest at 2.75%; Monthly Principal and Interest Payments of \$732; Due January 12, 2017	37,798	0	7,848	29,950
Note Payable ó Peoples Trust Company; Barlow Street Tennis Court Upgrades; Interest at 3.25%; Monthly Principal and Interest Payments of \$983; Due December 17, 2022	0	100,600	4,297	96,303
Note Payable ó Peoples Trust Company; TIF District Bond Anticipation Note; Interest at 1.65%; Interest and Principal of \$3,049,500 Due June 12, 2014; The City Intends to Refund this Note with Bonds Payable	0	3,000,000	0	3,000,000
Note Payable ó Peoples Trust Company; One Third (33.34%) of Mini-Excavator; Interest at 3.20%; Monthly Principal and Interest Payments of \$501; Due May 23, 2023	0	17,113	119	16,994

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	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Bond Payable ó Vermont Municipal Bond Bank; Fire Truck Purchase; Interest Varies from 0.777% to 2.731%; Annual Principal Payments Ranging From \$20,000 to \$25,000 Due Each December Semi-Annual Interest Payments Due Each June and December; Due December 1, 2020	\$ 195,000	\$ 0	\$ 25,000	\$ 170,000
Capital Lease Payable ó Municipal Leasing; Recreation Van; Interest at 4.45%; Annual Principal and Interest Payments of \$4,987; Due October 15, 2018	0	30,753	4,987	25,766
Capital Lease Payable ó Sun Trust Equipment Financing and Leasing Corporation; Twenty Percent (20%) of Backhoe Purchase; Interest at 2.99%; Due in Three (3) Payments of \$3,358; Due and Paid November 9, 2012	<u>3,260</u>	<u>0</u>	<u>3,260</u>	<u>0</u>
Total Governmental Activities	\$ <u>1,673,582</u>	\$ <u>3,148,466</u>	\$ <u>308,671</u>	\$ <u>4,513,377</u>

Business-Type Activities

Water Fund

Bond Payable ó Vermont Municipal Bond Bank, USDA Refunding Bond; Water Improvements; Interest at 3.93%; Annual Payments of \$231,195 Beginning November 2012, Due November 15, 2036	\$ 3,594,525	\$ 0	\$ 89,930	\$ 3,504,595
Note Payable ó Peoples Trust Company; Fifty Percent (50%) Water Meter Loan; Interest at 2.75%; Annual Principal and Interest Payments of \$94,582; Due and Paid September 1, 2012	91,979	0	91,979	0

CITY OF ST. ALBANS, VERMONT
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	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Note Payable ó Peoples Trust Company; One Third (33.33%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	\$ 35,991	\$ 0	\$ 7,867	\$ 28,124
Note Payable ó Peoples Trust Company; One Third (33.34%) of Mini-Excavator; Interest at 3.20%; Monthly Principal and Interest Payments of \$501; Due May 23, 2023	0	17,113	119	16,994
Note Payable ó Peoples Trust Company; Fairfax Dam Construction Interest at 3.70%; Monthly Principal and Interest Payments of \$7,083; Due August 17, 2032	0	1,200,000	34,323	1,165,677
Capital Lease Payable ó Sun Trust Equipment Financing and Leasing Corporation; Forty Percent (40%) of Backhoe Purchase; Interest at 2.99%; Due in Three (3) Payments of \$6,716; Due and Paid November 9, 2012	<u>6,521</u>	<u>0</u>	<u>6,521</u>	<u>0</u>
Total Water Fund	<u>3,729,016</u>	<u>1,217,113</u>	<u>230,739</u>	<u>4,715,390</u>

Wastewater Fund:

Note Payable ó Peoples Trust Company; Fifty Percent (50%) Water Meter Loan; Interest at 2.75%; Annual Principal and Interest Payments of \$94,582; Due and Paid September 1, 2012	\$ 91,979	\$ 0	\$ 91,979	\$ 0
Note Payable ó Peoples Trust Company; Wastewater Line of Credit Refinancing; Interest at 2.75%; Monthly Principal and Interest Payment of \$10,581; Due April, 2014	226,772	0	122,264	104,508

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	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
Bond Payable ó State of Vermont Special Environmental Revolving Loan Fund; Wastewater Treatment Facility Improvements; Interest at 0.00% Administrative Fee of 2.00%; Annual Principal and Administrative Fee Payments of \$88,677 Beginning September 2012; \$1,000,000 of the Bond was Granted to the City in 2011; Due September 1, 2031	\$1,419,221	\$ 0	\$ 58,410	\$1,360,811
Bond Payable ó State of Vermont Special Environmental Revolving Loan Fund; Wastewater Treatment Facility Improvements; Interest at 0.00%; Administrative Fee of 2.00%; Annual Principal and Administrative Fee Payments of \$142,607 Beginning July 1, 2012; \$79,588 of the Bond was Granted to the City in 2012; Due July 1, 2031	2,459,331	0	101,218	2,358,113
Bond Payable ó State of Vermont Special Environmental Revolving Loan Fund; Wastewater Treatment Facility Improvements; \$276,000 Authorized; Interest at 0.00%; Administrative Fee of 2.00%; Annual Principal and Administrative Fee Payments of \$9,851 Beginning September 1, 2012; Due September 1, 2031	161,082	0	6,630	154,452
Note Payable ó State of Vermont Special Environmental Revolving Loan Fund; Wastewater Planning Loan; Interest at 0.00%; \$12,500 Authorized; Annual Payments of \$2,500 Beginning October 1, 2014; Due October 1, 2018	11,676	0	0	11,676

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	Beginning Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2013</u>
Note Payable ó Peoples Trust Company; One Third (33.33%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	\$ 35,991	\$ 0	\$ 7,867	\$ 28,124
Note Payable ó Peoples Trust Company; One Third (33.34%) of Mini-Excavator; Interest at 3.20%; Monthly Principal and Interest Payments of \$501; Due May 23, 2023	0	17,113	119	16,994
Capital Lease Payable ó Sun Trust Equipment Financing and Leasing Corporation; Forty Percent (40%) of Backhoe Purchase; Interest at 2.99%; Due in Three (3) Payments of \$6,716; Due and Paid November 9, 2012	<u>6,521</u>	<u>0</u>	<u>6,521</u>	<u>0</u>
Total Wastewater Fund	<u>4,412,573</u>	<u>17,113</u>	<u>395,008</u>	<u>4,034,678</u>
Total Business-Type Activities	<u>\$ 8,141,589</u>	<u>\$ 1,234,226</u>	<u>\$ 625,747</u>	<u>\$ 8,750,068</u>

Changes in all long-term liabilities during the year were as follows:

	Beginning Balance	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 585,000	\$ 0	\$ 155,000	\$ 430,000	\$ 155,000
Notes Payable	1,085,322	3,117,713	145,423	4,057,612	155,738
Capital Leases Payable	3,260	30,753	8,248	25,765	3,841
Compensated Absences	301,573	43,895	0	345,468	0
Net Pension Obligation	<u>0</u>	<u>71,529</u>	<u>0</u>	<u>71,529</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>1,975,155</u>	<u>3,263,890</u>	<u>308,671</u>	<u>4,930,374</u>	<u>314,579</u>
Business-type Activities					
Bonds Payable	7,634,159	0	256,188	7,377,971	263,048
Notes Payable	494,388	1,234,226	356,517	1,372,097	169,238
Capital Leases Payable	13,042	0	13,042	0	0
Compensated Absences	<u>162,810</u>	<u>0</u>	<u>2,790</u>	<u>160,020</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 8,304,399</u>	<u>\$ 1,234,226</u>	<u>\$ 628,537</u>	<u>\$ 8,910,088</u>	<u>\$ 432,286</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Compensated Absences are paid by the applicable fund where the employee is charged.

Maturities of notes, bonds and capital leases payable based on the City's intentions are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2014	\$ 310,738	\$ 33,578	\$ 4,987	\$ 432,286	\$ 259,686
2015	270,381	23,601	4,987	338,120	248,845
2016	120,188	17,226	4,987	347,704	238,901
2017	98,523	13,641	4,987	338,224	229,466
2018	77,669	10,966	4,987	347,843	219,766
2019-2023	279,471	19,740	4,987	1,883,389	942,168
2024-2028	4,826	25	0	2,151,257	650,377
2029-2033	0	0	0	2,169,720	310,906
2034-2038	0	0	0	741,525	53,093
Unknown	3,325,816	0	0	0	0
Total	4,487,612	118,777	29,922	8,750,068	3,153,208
Less: Imputed Interest	0	0	(4,157)	0	0
Total	\$ 4,487,612	\$ 118,777	\$ 25,765	\$ 8,750,068	\$ 3,153,208

The short-term debt activity during the year was as follows:

Beginning Balance	\$ 0
Proceeds of Line of Credit ó Streetscape Fund	495,514
Proceeds of Line of Credit ó TIF Fund	175,000
Proceeds of Short Term Borrowing ó TIF Fund	1,300,000
Repayments of Line of Credit ó TIF Fund	(175,000)
Repayments of Short Term Borrowing ó TIF Fund	<u>(1,300,000)</u>
Ending Balance	<u>\$ 495,514</u>

The City has an available line of credit of \$1,000,000 with Peoples Trust Company. Interest is at 1.75% and matures February 1, 2014. The balance outstanding as of June 30, 2013 was \$495,514.

I. Net Position/Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

CITY OF ST. ALBANS, VERMONT
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Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the City Council's intended use of the resources); and unassigned.

Special Revenue Funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special Revenue Funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The City does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The City does not have any minimum fund balance policies.

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

The purpose for each major Special Revenue Fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The restricted net position of the City as of June 30, 2013 consisted of the following:

Governmental Activities:

Restricted for Revolving Loan Fund by Grant Agreement	\$ 213,407
Restricted for Taylor Park by Donations	<u>2,131</u>
Total Governmental Activities	<u>\$ 215,538</u>

The fund balances in the following funds are nonspendable as follows:

General Fund:

Nonspendable Advances to Other Funds	\$ 191,687
Nonspendable Inventories	9,951

TIF Fund:

Nonspendable Assets Held for Resale	63,814
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CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Revolving Loan Fund:

Nonspendable Advances to Other Funds	\$ <u>50,476</u>
Total Nonspendable Fund Balances	\$ <u><u>315,928</u></u>

The fund balances in the following funds are restricted as follows:

Major Funds

General Fund:

Restricted for Tennis Courts by Unspent Debt Proceeds	\$ 20,000
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TIF Fund:

Restricted for TIF Projects by Unspent Debt Proceeds	<u>930,124</u>
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Total Major Funds	<u>950,124</u>
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Non-Major Funds

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	61,352
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Restricted for Taylor Park Expenses by Donation (Source of Revenue is Donations)	<u>2,131</u>
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Total Non-Major Funds	<u>63,483</u>
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Total Restricted Fund Balances	\$ <u><u>1,013,607</u></u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Downtown Redevelopment (JLD Proceeds)	\$ 450,498
Assigned for Stormwater Permitting (Lemnah Proceeds)	62,849
Assigned for Tennis Court Rehabilitation	5,000
Assigned for General Parking Improvements	25,017
Assigned for Fire Department Reserves	16,042
Assigned for Public Health and Safety Ordinances	31,200
Assigned for Sidewalks	50,000
Assigned for Public Works Reserves	18,850
Assigned for Record Preservation	67,609
Assigned for Reappraisal	44,434
Assigned for Police Department Expenses	1,088
Amounts Assigned in Excess of Available Fund Balance	<u>(62,690)</u>

Total Assigned Fund Balances	\$ <u><u>709,897</u></u>
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CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The unassigned deficits in the Streetscape Fund and Federal Street Bypass Fund will be funded as grant receivables are collected.

The unassigned deficits in the SOLO Building Fund and in the Fonda Remediation Fund will be funded with either the sale proceeds of the former Fonda building site or from a transfer from the General Fund.

J. Designated Net Position

The designated net position of the City as of June 30, 2013 consisted of the following:

Proprietary Funds:	
Water Fund:	
Designated for Water Capital	\$ <u>830,201</u>
Wastewater Fund:	
Designated for Wastewater Capital	527,425
Designated for Wastewater Debt Service	<u>134,709</u>
Total Wastewater Fund	<u>662,134</u>
Total Designated Net Position	\$ <u><u>1,492,335</u></u>

V. OTHER INFORMATION

A. PENSION PLANS

All applicable employees of the City of St. Albans are covered under the State of Vermont Municipal Employees' Retirement Plan. Certain other employees who were participants prior to January 1, 2010 are members of the City of St. Albans defined benefit pension plan, as discussed in Note V.B. Employees in Plan B contribute 4.5% of their gross salary and the City contributes 5%. Employees in Plan C contribute 9.25% of their gross salary and the City contributes 6.5%. Employees in Group C are limited to police officers and certain firefighters. All other employees must be in Group B.

The City of St. Albans pays all costs accrued each year for the plans. The premise of the plans 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 position available for benefits as well as present value of vested and nonvested plan benefits by municipality are not available.

Total payroll for the year was \$4,240,714 while covered payroll was \$2,882,919. Pension expense for the year ended June 30, 2013 was \$169,923.

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The City also offers its employees a deferred compensation plan through the International City/County Management Association's Retirement Corporation (ICMA-RC) 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 to the plan up to 5%. The City also provides the City Manager a 2.1% contribution of base pay without a required employee contribution amount. Employees remaining in the City's defined benefit plan may open a 457 account without a City match. Total employer contributions to the 457 Plan for the year were \$11,912.

B. DEFINED BENEFIT 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. The plan covers all employees of the City who work at least 1,000 hours on a twelve (12) month consecutive period and who agree to make minimum contributions. Effective January 1, 2010, the City stopped allowing new participants to enter the plan.

Funding Policy

The Plan requires members to contribute either 2.5% or 7.5% of Annual Base Earnings, excluding overtime and any other additional compensation, depending on the benefit level elected. The total annual required contribution (ARC) to the system for 2013 was \$220,713 which was computed through an actuarial valuation performed as of June 30, 2012.

The system uses the level dollar closed method to amortize the unfunded accrued liability over a thirty (30) year period from date of establishment. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are as follows:

Valuation Method	Five year expected average market value method
Actuarial Cost Method	Frozen Entry Age
Asset Valuation	Market Value
Remaining Amortization	
Period: Initial Unfunded	.5 Years
Interest rate of Return	7.5%
Salary increases	5%
COLA Adjustment	None

There are 30 active members and 50 retirees and beneficiaries. Additionally, there are 7 former employees with vested rights.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The balance in the investment account maintained at Prudential Investments is \$3,916,318.

SCHEDULE OF EMPLOYER CONTRIBUTION

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
12/31/2008	159,632	201,136	126%
12/31/2009	213,524	153,737	72%
12/31/2010	201,866	209,825	104%
6/30/2011	118,825	161,606	136%
6/30/2012	187,482	200,000	107%
6/30/2013	224,258	200,000	89%

NET PENSION OBLIGATION

	<u>2013</u>
Annual Required Contribution (ARC)	\$ 220,713
Interest on NPO	<u>3,545</u>
Annual Pension Cost (APC)	224,258
Employer/Employee Contributions Made	<u>200,000</u>
Increase/(Decrease) in NPO	24,258
NPO - June 30, 2012	<u>47,271</u>
NPO - June 30, 2013	<u>\$ 71,529</u>
Percentage of APC Contributed	<u>89%</u>

C. RISK MANAGEMENT

The City of St. Albans is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of St. Albans maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City of St. Albans. Settled claims have not exceeded this coverage in any of the past three fiscal years. The City must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty (60) days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

The City of St. Albans is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

D. PROPERTY TAXES

The City is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuation as of April 1, the approved budgets and the State education property tax liability. Taxes are due and payable on August 30, November 30, February 28 and May 30, and become delinquent on June 1. The City assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month after each installment date for the first twelve months and 1.5% per month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2013 are as follows:

	Residential	Non-Residential
Education	1.3173	1.4027
General City	.7881	.7881
Library	.0414	.0414
Library Bond	.0098	.0098
Veteranø Exemption	.0017	.0017
Total Tax Rate per \$100 of Assessed Value	2.1583	2.2437

E. POLLUTION REMEDIATION

On August 2, 2010, a Corrective Action Plan was prepared for the City of St. Albans, Vermont. Remedial actions were necessary at a property owned (Fonda/Solo Building) by the City. The remedial actions were undertaken by the City voluntarily. The clean-up was completed in December of 2012 at a total cost of \$813,787, of which \$755,892 was funded through federal grants.

F. CONTINGENT LIABILILTIES

The City is a participating member in the Northwest Vermont Solid Waste Management District. The City could be subject to a portion of the Districtø debt if the District experiences financial problems.

The City participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

There is an ongoing lawsuit with the Town of St. Albans, Vermont. The Town is the plaintiff and they have filed a breach of contract suit. The suit asserts that the City is in breach because the City failed to equalize water and sewer rates following the purchase of 1 equivalent unit at a cost of \$5,000. The City counters that the agreement calls for purchase of at least 88 equivalent units at a cost of \$440,000 in return for equalizing rates. It is unclear as to the likelihood or amount of damages that could result from a successful suit by the Town as they have not demanded a specific amount in their filings.

G. SUBSEQUENT EVENTS

Subsequent to year end, the City secured a \$500,000 note from Peoples Trust Company for Streetscape related water and wastewater utility work. Interest is at 3.9% and the note will be repaid over 20 (twenty) years with monthly principal and interest payments of \$3,004. The City also secured a \$2,000,000 bond anticipation note from Peoples Trust Company for TIF District capital projects. Interest is at 1.5% and the note is due February 1, 2014 at which time permanent financing will be secured. Additionally, the City entered into a capital lease agreement for \$26,626 with Gorham Savings Bank for a pickup truck to be used by the Fire Department. Interest is at 3.97% and the lease will be repaid over 7 (seven) years with quarterly principal and interest payments of \$1,397.

H. TAX INCREMENT FINANCING DISTRICT

The City Council approved the establishment of a Tax Increment Financing (TIF) District on April 30, 2012 which was later approved by the Vermont Economic Progress Council (VEPC) in August, 2012. The TIF District will allow the City to undertake and pay for infrastructure improvements that will allow for increased economic and community development. The City cannot incur any new TIF District debt until the voters authorize an overall debt level. This level of \$43 million was approved on November 6, 2012. With a TIF District, the value of properties within the District are frozen at the time the District is created. All property taxes generated by the original base continue to go to the municipal General Fund and the State Education Fund. For twenty (20) years, the municipal and education property taxes generated by any new development are shared, with 75% going to finance TIF District infrastructure debt and 25% going to the municipal General Fund and State Education Fund.

In March 2013, voters authorized \$3 million in general obligation bonds or notes to finance brownfield remediation, professional services, streetscape improvements, and parking garage design and site improvements. In September 2013, voters authorized \$13 million in general obligation bonds for the purpose of financing the costs associated with constructing the parking garage, acquisition of land and interests for development, and public street, water and sewer system improvements. A portion of the approved \$13 million bonds will be used to refinance the previously issued \$3 million debt.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property Taxes	\$ 3,766,448	\$ 3,753,707	\$ (12,741)
Payments on Prior Year Taxes	324,200	0	(324,200)
Penalty on Taxes	28,500	19,924	(8,576)
Interest on Taxes	40,000	35,782	(4,218)
State Payments/RR Taxes	8,500	8,385	(115)
Interest on Savings	6,500	2,378	(4,122)
Public Works Garage Lease	30,750	30,750	0
City Hall Lease	44,075	44,075	0
Barlow Street School Rents	37,200	21,354	(15,846)
PILOT	75,000	87,031	12,031
Insurance Reimbursements and Miscellaneous	35,000	54,202	19,202
City Clerk	89,000	106,830	17,830
Planning and Development	44,500	381,028	336,528
Assessing	27,500	23,846	(3,654)
Fire Department	71,000	75,610	4,610
Police, Dispatch and Animal Control	1,431,461	1,363,254	(68,207)
Community Justice Center	453,394	412,791	(40,603)
Public Works and Parks	120,500	194,048	73,548
Recreation Programs	351,680	504,392	152,712
	<u>6,985,208</u>	<u>7,119,387</u>	<u>134,179</u>
Total Revenue			
EXPENDITURES			
Administration	407,701	236,117	171,584
City Clerk	66,125	65,671	454
Finance	47,292	42,010	5,282
Planning and Development	245,031	257,807	(12,776)
Planning and Development Capital	37,500	48,388	(10,888)
County and District Functions	158,569	147,686	10,883
Audit and Audit Consultants	10,000	6,427	3,573
Assessing	43,846	48,180	(4,334)
Debt Service - Principal	179,998	228,230	(48,232)
Debt Service - Interest	32,761	38,044	(5,283)
Professional Services - Legal	70,000	71,391	(1,391)
Information Management	6,500	10,541	(4,041)
Fire Department	546,417	593,415	(46,998)
Fire Department Capital	78,018	0	78,018
Police, Dispatch and Animal Control	3,212,803	2,998,658	214,145
Police Department Capital	86,250	69,596	16,654
Community Justice Center	438,549	408,024	30,525
Public Works, Highway, Parks	613,427	588,977	24,450
Public Works Capital	279,441	196,423	83,018
Recreation Programs	386,730	443,830	(57,100)
Recreation Capital	0	147,582	(147,582)
Library Bond and Expenses	38,250	72,703	(34,453)
	<u>6,985,208</u>	<u>6,719,700</u>	<u>265,508</u>
Total Expenditures			
Excess of Revenue Over Expenditures	\$ <u>0</u>	399,687	\$ <u>399,687</u>
Fund Balance - July 1, 2012		<u>531,848</u>	
Fund Balance - June 30, 2013		<u>\$ 931,535</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 PENSION TRUST FUND
 JUNE 30, 2013

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess/ (Deficiency) of Assets Over AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess/ (Deficiency) as a Percentage of Covered Payroll (a-b/c)
1/1/2009	3,661,826	4,962,749	(1,300,923)	74%	1,290,469	-101%
1/1/2010	3,861,404	5,000,719	(1,139,315)	77%	628,509	-181%
1/1/2011	3,933,672	5,168,463	(1,234,791)	76%	571,413	-216%
1/1/2012	3,807,325	5,210,067	(1,402,742)	73%	571,413	-245%
6/30/2012	3,877,443	5,441,160	(1,563,717)	71%	714,519	-219%
6/30/2013	4,005,712	5,625,776	(1,620,064)	71%	647,286	-250%

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CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Funds	Capital Projects Fund - Federal Street Bypass Fund	Total
ASSETS			
Cash	\$ 65,271	\$ 0	\$ 65,271
Receivables	28,071	185,295	213,366
Due from Other Funds	6,787	9,209	15,996
Advances to Other Funds	50,476	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>101,579</u>	<u>0</u>	<u>101,579</u>
Total Assets	<u>\$ 252,184</u>	<u>\$ 194,504</u>	<u>\$ 446,688</u>
LIABILITIES			
Accounts Payable	\$ 15,449	\$ 28,136	\$ 43,585
Accrued Payroll	1,001	0	1,001
Due to Other Funds	10,588	0	10,588
Advances from Other Funds	80,457	161,706	242,163
Unearned Revenue	<u>9,608</u>	<u>0</u>	<u>9,608</u>
Total Liabilities	<u>117,103</u>	<u>189,842</u>	<u>306,945</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>101,579</u>	<u>185,295</u>	<u>286,874</u>
Total Deferred Inflows of Resources	<u>101,579</u>	<u>185,295</u>	<u>286,874</u>
FUND BALANCES (DEFICIT)			
Nonspendable	50,476	0	50,476
Restricted	63,483	0	63,483
Unassigned	<u>(80,457)</u>	<u>(180,633)</u>	<u>(261,090)</u>
Total Fund Balances/(Deficits)	<u>33,502</u>	<u>(180,633)</u>	<u>(147,131)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 252,184</u>	<u>\$ 194,504</u>	<u>\$ 446,688</u>

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CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Capital Projects Fund - Federal Street Bypass Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 302,346	\$ 72,158	\$ 374,504
Investment Income	127	0	127
Donations	<u>3,240</u>	<u>0</u>	<u>3,240</u>
Total Revenues	<u>305,713</u>	<u>72,158</u>	<u>377,871</u>
EXPENDITURES			
General Government	24,717	0	24,717
Public Safety	124,820	0	124,820
Culture and Recreation	2,552	0	2,552
Community Development	154,058	0	154,058
Capital Outlay - Public Works	<u>0</u>	<u>91,085</u>	<u>91,085</u>
Total Expenditures	<u>306,147</u>	<u>91,085</u>	<u>397,232</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(434)</u>	<u>(18,927)</u>	<u>(19,361)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>3,500</u>	<u>0</u>	<u>3,500</u>
Total Other Financing Sources	<u>3,500</u>	<u>0</u>	<u>3,500</u>
Net Change in Fund Balances	3,066	(18,927)	(15,861)
Fund Balances/(Deficit) - July 1, 2012	<u>30,436</u>	<u>(161,706)</u>	<u>(131,270)</u>
Fund Balances/(Deficit) - June 30, 2013	<u>\$ 33,502</u>	<u>\$ (180,633)</u>	<u>\$ (147,131)</u>

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CITY OF ST. ALBANS, VERMONT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Revolving Loan Fund	OJP and Police Grants Fund	VCDP Grants Fund	SOLO Building Fund	EPA Grant Fund	Fonda Remediation Fund	Taylor Park Trust Fund	Reconstitution Donations Fund	Total
ASSETS									
Cash	\$ 63,977	\$ 3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,291	\$ 0	\$ 65,271
Receivables	0	23,571	4,500	0	0	0	0	0	28,071
Due from Other Funds	0	0	847	0	0	0	840	5,100	6,787
Advances to Other Funds	50,476	0	0	0	0	0	0	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>101,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>101,579</u>
Total Assets	<u>\$ 216,032</u>	<u>\$ 23,574</u>	<u>\$ 5,347</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,131</u>	<u>\$ 5,100</u>	<u>\$ 252,184</u>
LIABILITIES									
Accounts Payable	\$ 0	\$ 14,610	\$ 839	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,449
Accrued Payroll	0	1,001	0	0	0	0	0	0	1,001
Due to Other Funds	2,625	7,963	0	0	0	0	0	0	10,588
Advances from Other Funds	0	0	0	54,548	0	25,909	0	0	80,457
Unearned Revenue	<u>0</u>	<u>0</u>	<u>4,508</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,100</u>	<u>9,608</u>
Total Liabilities	<u>2,625</u>	<u>23,574</u>	<u>5,347</u>	<u>54,548</u>	<u>0</u>	<u>25,909</u>	<u>0</u>	<u>5,100</u>	<u>117,103</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue	<u>101,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>101,579</u>
Total Deferred Inflows of Resources	<u>101,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>101,579</u>
FUND BALANCES (DEFICIT)									
Nonspendable	50,476	0	0	0	0	0	0	0	50,476
Restricted	61,352	0	0	0	0	0	2,131	0	63,483
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>(54,548)</u>	<u>0</u>	<u>(25,909)</u>	<u>0</u>	<u>0</u>	<u>(80,457)</u>
Total Fund Balances/(Deficit)	<u>111,828</u>	<u>0</u>	<u>0</u>	<u>(54,548)</u>	<u>0</u>	<u>(25,909)</u>	<u>2,131</u>	<u>0</u>	<u>33,502</u>
Total Liabilities and Fund Balances	<u>\$ 216,032</u>	<u>\$ 23,574</u>	<u>\$ 5,347</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,131</u>	<u>\$ 5,100</u>	<u>\$ 252,184</u>

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CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Revolving Loan Fund	OJP and Police Grants Fund	VCDP Grants Fund	SOLO Building Fund	EPA Grant Fund	Fonda Remediation Fund	Taylor Park Trust Fund	Reconstitution Donations Fund	Total
REVENUES									
Intergovernmental	\$ 0	\$ 124,820	\$ 169,397	\$ 0	\$ 8,129	\$ 0	\$ 0	\$ 0	\$ 302,346
Investment Income	127	0	0	0	0	0	0	0	127
Donations	0	0	0	0	0	0	2,840	400	3,240
Total Revenues	127	124,820	169,397	0	8,129	0	2,840	400	305,713
EXPENDITURES									
General Government	0	0	19,339	0	4,978	0	0	400	24,717
Public Safety	0	124,820	0	0	0	0	0	0	124,820
Culture and Recreation	0	0	0	0	0	0	2,552	0	2,552
Community Development	500	0	153,558	0	0	0	0	0	154,058
Total Expenditures	500	124,820	172,897	0	4,978	0	2,552	400	306,147
Excess/(Deficiency) of Revenue Over Expenditures	(373)	0	(3,500)	0	3,151	0	288	0	(434)
OTHER FINANCING SOURCES									
Transfer In	0	0	3,500	0	0	0	0	0	3,500
Total Other Financing Sources	0	0	3,500	0	0	0	0	0	3,500
Net Change in Fund Balances	(373)	0	0	0	3,151	0	288	0	3,066
Fund Balances/(Deficit) - July 1, 2012	112,201	0	0	(54,548)	(3,151)	(25,909)	1,843	0	30,436
Fund Balances/(Deficit) - June 30, 2013	\$ 111,828	\$ 0	\$ 0	\$ (54,548)	\$ 0	\$ (25,909)	\$ 2,131	\$ 0	\$ 33,502

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Environmental Protection Agency</u>				
Passed through State of Vermont Department of Environmental Conservation				
Lake Champlain Basin Program	66.481	LC-96162901-D	14,850	\$ 3,452
Performance Partnership Grant	66.605	2010-319-05, BG-98161607	6,000	<u>4,978</u>
Total U.S. Environmental Protection Agency				<u>8,430</u>
<u>National Highway Traffic Safety Administration</u>				
Passed through State of Vermont Department of Public Safety				
Safety Belt Performance Grant	20.608	02140-1112-2132	6,000	279
State and Community Highway Safety	20.600	02140-1213-2246	5,000	<u>5,000</u>
Total National Highway Traffic Safety Administration				<u>5,279</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Homeland Security Grant Program	97.067	02140-70164V-136 2010-SS-T0-0083	16,613	16,460
Homeland Security Grant Program	97.067	02140-70164V-213, 2010-SS-T0-0083	14,220	14,220
Homeland Security Grant Program	97.067	02140-70264V-117, 2010-SS-T0-0083	16,596	16,551
Homeland Security Grant Program	97.067	02140-71264V-100, EMW-2011-SS-00038	7,900	2,400
Homeland Security Grant Program	97.067	02140-70164V-173, 2010-SS-T0-0083	20,514	20,514
Homeland Security Grant Program	97.067	02140-12403-1201	20,000	11,161
Homeland Security Grant Program	97.067	02140-79152-531, 2009-SS-T9-0075	6,510	<u>6,510</u>
Total U.S. Department of Homeland Security				<u>87,816</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Vermont Agency of Commerce & Community Development				
Community Development Block Grants	14.228	07110-PG-I-09-00001	600,000	<u>153,557</u>
Total U.S. Department Housing and Urban Development				<u>153,557</u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through State of Vermont Agency of Forests, Parks and Recreation				
Cooperative Forestry Assistance	10.664	0613OUCF	70,000	\$ 54,100
Total U.S. Department of Agriculture				<u>54,100</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2010-WE-AX-0060	400,000	129,739
Bulletproof Vest Partnership Program	16.607	2009BUBX08045029	19,387	2,096
Public Safety Partnership and Community Policing Grants - ARRA	16.710	2009-RK-WX-0861	228,684	60,203
PD - 2012 JAG	16.738	2012-DJ-BX-0659	15,743	15,743
Passed through State of Vermont Department of Corrections				
Second Chance Act Prisoner Reentry Initiative	16.812	03520-1171	62,500	16,782
CJC - Truancy	16.540	03440-20388-13	50,135	<u>13,420</u>
Total U.S. Department of Justice				<u>237,983</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction	20.205	08126-CA0277	355,680	152,118
Highway Planning and Construction	20.205	EA 8000017-100; CA0194	700,000	72,868
Highway Planning and Construction	20.205	TDG2039 Tiger 2	125,000	9,169
Highway Planning and Construction	20.205	TDG3049 Tiger 3	1,291,623	795,320
Highway Planning and Construction	20.205	EH11(10)	600,000	452,334
Highway Planning and Construction	20.205	SSMG069	75,000	<u>57,916</u>
Total U.S. Department of Transportation				<u>1,539,725</u>
Total				<u>\$ 2,086,890</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of St. Albans, Vermont and was prepared using the significant accounting policies outlined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.

Sullivan,Powers & Co.,P.C.

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Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Honorable City Council
City of St. Albans
P.O. Box 867
100 North Main Street
St. Albans, VT 05478

We have audited, in accordance with the 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, the 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, 2013 and the related notes to the financial statements, which collectively comprise the City of St. Albans, Vermont's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of St. Albans, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Albans, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Albans, Vermont's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of St. Albans, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

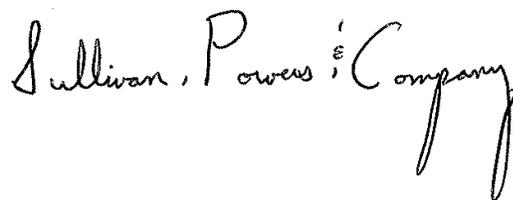
As part of obtaining reasonable assurance about whether the City of St. Albans, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted other matters that we reported in a separate letter to the management of the City of St. Albans, Vermont dated November 22, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of St. Albans, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of St. Albans, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 22, 2013
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in dark ink and is positioned to the right of the typed name.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Honorable City Council
City of St. Albans
P.O. Box 867
100 North Main Street
St. Albans, VT 05478

Report on Compliance for Each Major Federal Program

We have audited the City of St. Albans, Vermont's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of St. Albans, Vermont's major federal program for the year ended June 30, 2013. The City of St. Albans, Vermont's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of St. Albans, Vermont's major federal program based on our audit of the types of compliance requirements referred to previously. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Albans, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of St. Albans, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of St. Albans, Vermont complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

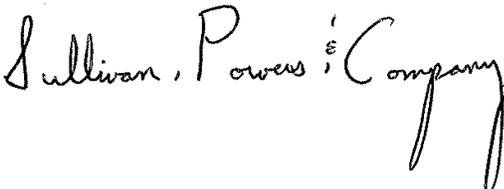
Management of the City of St. Albans, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of St. Albans, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Albans, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

November 22, 2013
Montpelier, Vermont
VT Lic. #92-000180



CITY OF ST. ALBANS, VERMONT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2013

There were no prior year audit findings noted.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unqualified.

Internal Control Over Financial Reporting:

Material Weaknesses identified:

No.

Significant Deficiencies identified not considered to be material weaknesses:

No.

Noncompliance material to financial statements:

None noted.

Federal Awards

Internal Control Over Major Programs:

Material Weaknesses identified:

No.

Significant Deficiencies identified not considered to be material weaknesses:

No.

Type of auditor's report issued on compliance for major programs:

Unqualified.

There are no audit findings that are required to be reported in accordance with OMB Circular A-133, Section 510(a).

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Agency</u>
20.205	Highway Planning and Construction	U.S. Department of Transportation

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The auditee did not qualify as a low risk auditee.