

**CITY OF ST. ALBANS, VERMONT**

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

**JUNE 30, 2014**

CITY OF ST. ALBANS, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2014

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-16
Basic Financial Statements:	
Statement of Net Position	Exhibit A 17
Statement of Activities	Exhibit B 18
Governmental Funds:	
Balance Sheet	Exhibit C 19
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 21
Proprietary Funds:	
Statement of Net Position	Exhibit F 22
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G 23
Statement of Cash Flows	Exhibit H 24
Fiduciary Funds:	
Statement of Fiduciary Net Position	Exhibit I 25
Statement of Changes in Fiduciary Net Position	Exhibit J 26
Notes to the Financial Statements	27-61

CITY OF ST. ALBANS, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2014

	<u>Page #</u>
Required Supplementary Information:	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	Schedule 1 62
Schedule of Funding Progress - Pension Trust Fund	Schedule 2 63
Schedule of Changes in Net Pension Liability and Related Ratios - Pension Trust Fund	Schedule 3 64
Schedule of Employer Contributions - Pension Trust Fund	Schedule 4 65
Schedule of Investment Returns - Pension Trust Fund	Schedule 5 66
Financial Statements of Individual Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	Schedule 6 67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	Schedule 7 68
Combining Balance Sheet - Nonmajor Special Revenue Funds	Schedule 8 69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	Schedule 9 70
Combining Statement of Fiduciary Net Position - Agency Funds	Schedule 10 71

CITY OF ST. ALBANS, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2014

	<u>Page #</u>
Schedule of Expenditures of Federal Awards	72-73
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"	74-75
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	76-77
Summary Schedule of Prior Audit Findings and Deficiencies in Internal Control	78
Schedule of Findings and Deficiencies in Internal Control	79

**Sullivan, Powers & Co., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
VT Lic. #92-000180

**Independent Auditor's Report**

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

***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, 2014 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Albans, Vermont as of June 30, 2014 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 budgetary comparison information for the General Fund and the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Investments Returns for the Pension Trust Fund presented in Schedules 1 through 5 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, 2014, the City of St. Albans, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans".

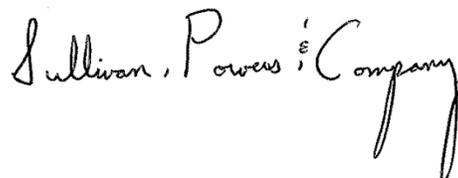
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Albans, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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 basic 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 January 29, 2015 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.

January 29, 2015  
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 text.

**CITY OF ST. ALBANS, VERMONT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

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, 2014. 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 \$24,000,133 (net position). Of this amount, \$3,152,111 (unrestricted net position) may be used to meet the City's ongoing obligations. The balance of net position is made up of \$20,640,855 net investment in capital assets and \$207,167 restricted for specific purposes.
- The City's total net position increased by \$3,946,964 (19.7%). Of this amount, net position attributable to governmental activities increased by \$2,690,053 (48.1%), and net position attributable to business-type activities increased by \$1,256,911 (8.7%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,325,522, a significant increase of \$6,036,314 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 \$414,326, or approximately 5.7% of total general fund expenditures.
- The City's total outstanding long-term debt increased by \$11,440,419 during the current fiscal year as a result of the issuance of \$14,500,000 in tax increment financing (TIF) bonds. Of this amount, \$3,000,000 was used to pay a bond anticipation note issued in the previous year.
- Construction in progress increased by \$8,350,147 of which, \$7,115,955 is for construction of a parking garage.

**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'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**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.

**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.

**CITY OF ST. ALBANS, VERMONT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

The City maintains four major governmental funds; the General Fund, the TIF (Tax Increment Financing) Capital Projects Fund, the TIF (Tax Increment Financing) Debt Service 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 6 through 9.

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.

**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.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Summary Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2014	2013	2014	2013	2014	2013
Cash and Investments	\$ 10,842,430	\$ 2,958,827	\$ 1,195,402	\$ 1,140,918	\$ 12,037,832	\$ 4,099,745
Other Assets	(850,797)	1,013,111	2,933,240	1,730,222	2,082,443	2,743,333
Capital Assets	16,731,048	8,199,957	20,952,640	20,759,660	37,683,688	28,959,617
Total Assets	<u>26,722,681</u>	<u>12,171,895</u>	<u>25,081,282</u>	<u>23,630,800</u>	<u>51,803,963</u>	<u>35,802,695</u>
Other Liabilities	2,022,853	1,618,587	346,707	260,671	2,369,560	1,879,258
Noncurrent Liabilities	16,387,545	4,930,374	9,017,623	8,910,088	25,405,168	13,840,462
Total Liabilities	<u>18,410,398</u>	<u>6,548,961</u>	<u>9,364,330</u>	<u>9,170,759</u>	<u>27,774,728</u>	<u>15,719,720</u>
Deferred Inflows of Resources	29,102	29,806	0	0	29,102	29,806
Net Position:						
Net Investment in Capital Assets	8,540,627	7,119,924	12,100,228	12,009,592	20,640,855	19,129,516
Restricted	207,167	215,538	0	0	207,167	215,538
Unrestricted/(Deficit)	(464,613)	(1,742,334)	3,616,724	2,450,449	3,152,111	708,115
Total Net Position	<u>\$ 8,283,181</u>	<u>\$ 5,593,128</u>	<u>\$ 15,716,952</u>	<u>\$ 14,460,041</u>	<u>\$ 24,000,133</u>	<u>\$ 20,053,169</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 and deferred inflows of resources by \$24,000,133. The City's total net position is split between governmental activities net position of \$8,283,181 and business-type activities net position of \$15,716,952.

The largest portion of the City's total net position \$20,640,855 (86%) 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 2013, the 2014 operations achieved that goal.

The City's total net position also includes \$207,167 (0.9%) 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 \$3,152,111 (13.1%) 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.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Summary of the Statement of Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 2,056,144	\$ 2,213,946	\$ 5,518,684	\$ 4,847,728	\$ 7,574,828	\$ 7,061,674
Operating Grants & Contributions	861,861	1,106,294	0	0	861,861	1,106,294
Capital Grants & Contributions	885,807	1,264,603	251,537	452,696	1,137,344	1,717,299
<b>General Revenues:</b>						
Property Taxes	3,953,716	3,763,707	0	0	3,953,716	3,763,707
Other	2,428,651	172,636	312,244	51,744	2,740,895	224,380
Transfers In/(Out)	306,946	0	(306,946)	0	0	0
<b>Total Revenues</b>	<u>10,493,125</u>	<u>8,521,186</u>	<u>5,775,519</u>	<u>5,352,168</u>	<u>16,268,644</u>	<u>13,873,354</u>
<b>Expenses:</b>						
General Government	752,052	760,536	0	0	752,052	760,536
Public Safety	4,535,681	4,504,074	0	0	4,535,681	4,504,074
Public Works	815,624	610,692	0	0	815,624	610,692
Culture and Recreation	600,304	540,147	0	0	600,304	540,147
Community Development	762,129	2,005,440	0	0	762,129	2,005,440
Interest on Long-Term Debt	337,282	74,998	0	0	337,282	74,998
Water	0	0	1,895,517	1,885,455	1,895,517	1,885,455
Sewer	0	0	2,623,091	2,842,362	2,623,091	2,842,362
<b>Total Expenses</b>	<u>7,803,072</u>	<u>8,495,887</u>	<u>4,518,608</u>	<u>4,727,817</u>	<u>12,321,680</u>	<u>13,223,704</u>
Change in Net Position	2,690,053	25,299	1,256,911	624,351	3,946,964	649,650
Beginning Net Position	5,593,128	5,567,829	14,460,041	13,835,690	20,053,169	19,403,519
<b>Ending Net Position</b>	<u>\$ 8,283,181</u>	<u>\$ 5,593,128</u>	<u>\$ 15,716,952</u>	<u>\$ 14,460,041</u>	<u>\$ 24,000,133</u>	<u>\$ 20,053,169</u>

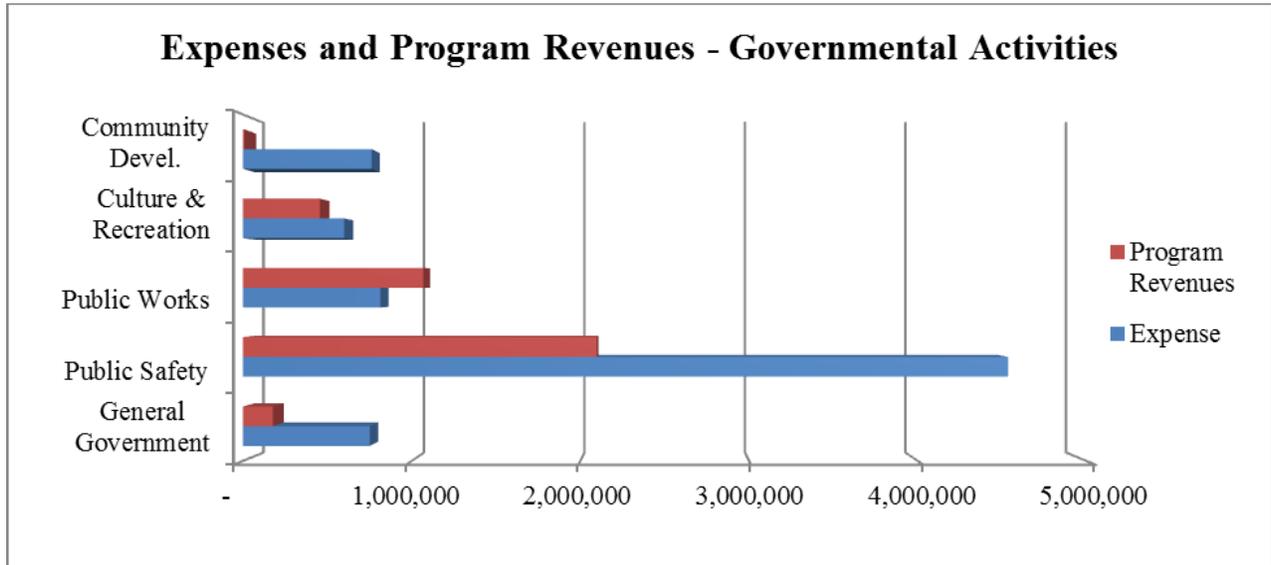
**Governmental Activities**

Governmental activities increased the City's net position by \$2,690,053 for the year ended June 30, 2014. Key elements of the change are as follows:

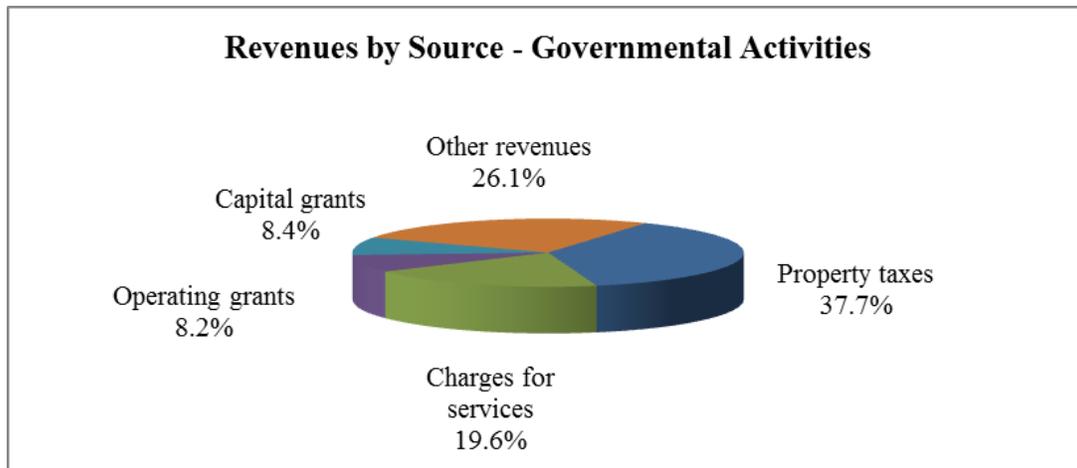
- Total governmental activities' revenues increased by 23.1% (1,971,939) from 2013 to 2014. The driving factor in this increase was the sale of property and deeded parking rights for \$2,500,000. This large, onetime, revenue was offset by a 17.0% (\$781,031) decrease in program revenues and a 5.0% (\$190,009) increase in property tax revenue.
- Total governmental activities' expenses decreased by 8.2% (\$692,815) from 2013 to 2014. The driving factor in the decrease was a 62% drop in community development expenses. During 2013 the City redeveloped a brownfield site within the TIF district and sold it to be privately developed. This project cost \$1,353,318 in 2013 and was expensed entirely in that year as it was not a capital project. While activity in the TIF district has not decreased from the prior year, 2014 TIF activity was primarily capital and therefore is not reflected in expenses. Noncapital TIF expenses dropped from \$1,851,382 in 2013 to \$738,453 in 2014.
- Public safety expenses end the year at 58.1% (\$4,535,681) of total governmental activities' expenses. This is a slight increase from the previous year when public safety expenses were 53% (\$4,504,074) of total governmental activities' expenses. Public safety remains the largest category of expenses from year to year.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The follow graph entitled Expense and Program Revenues – Governmental Activities, gives the reader an idea of how each major program is funded. The revenues included in this graph are program specific revenues such as user fees, capital grants, and operating grants. General revenues such as property revenues and interest earnings are excluded. The supporting data may be found on Exhibit B, the Statement of Activities. As noted previously, Public Safety is the largest category of expenses in the current year and historically.



The majority of revenue for governmental activities comes from property taxes, 37.7% of total revenue or \$3,953,716. Other revenue, including transfers, was the second largest category of revenue during the year coming in at \$2,735,597 or 26.1% of total revenue. Included in this number is the one time sale of property and parking rights for \$2,500,000 driving the large increase in the other category over previous years. The third largest category of revenue during the year was charges for services with \$2,056,144 or 19.6% of total revenue. The dollar amount raised in charges is consistent with 2013 at \$2,213,946. The following graph shows the distribution of governmental activities revenues by source.



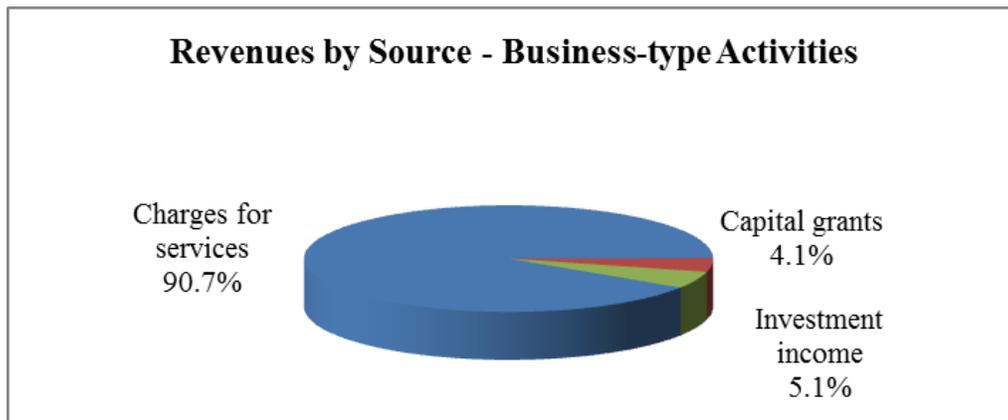
**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Business-type Activities**

Business-type activities increased the City's net position by \$1,256,911 during the current fiscal year. Key elements of this increase are as follows:

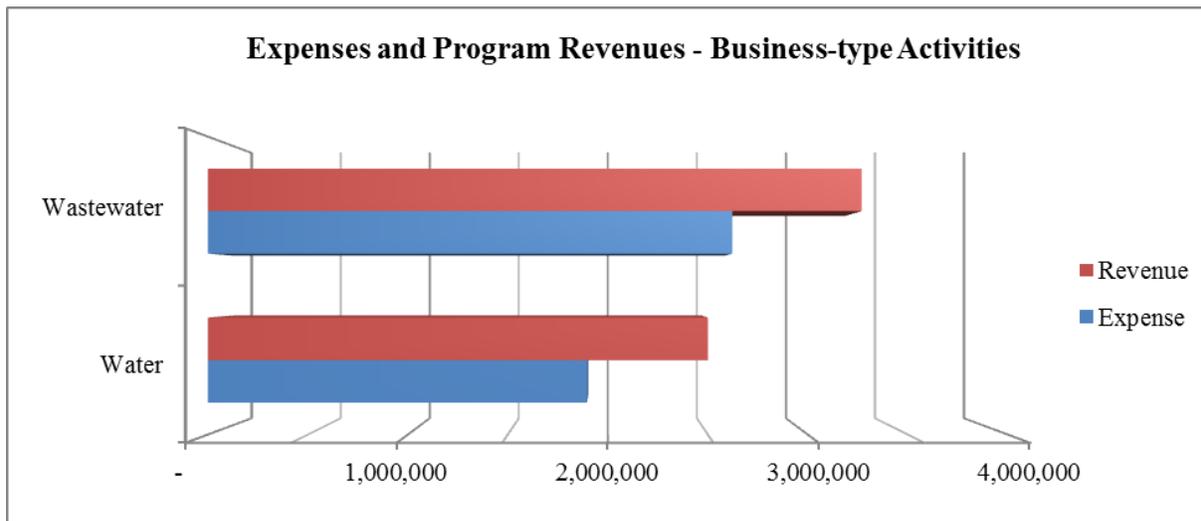
- Total revenues of \$5,775,519 were \$423,351 or 7.9% higher than the previous year. Charges for services increased overall by \$670,956 offset by a decrease in capital grants and contributions of \$201,159. Capital grants and contributions reflect an allocation of the Streetscape project to the business-type activities for improvements to the water and sewer infrastructure. The decrease in allocation from 2013 to 2014 is a result of substantial completion of the work during 2013.
- Operating revenues in the water and wastewater funds increased by \$685,956 or 14.2%. This is a result of a large increase in allocation fees. Allocation fees are paid when a new water and wastewater connection is established and as such as directly related to development activity in the water and wastewater district. The increase of \$583,993 over the prior year is the result of one large development paying its entire allocation during the year. The balance of the operating revenue increase is due to \$98,366 in charges for services as a result of an increase in user fees.
- Total expenses of \$4,518,608 decreased by \$209,209 (2.1%) when compared to the prior year.
  - This decrease was driven by a \$159,875 (48.6%) decrease in other operating costs from \$329,067 to \$169,192. During the previous year, the cost of a new water allocation was cut in half and refunds were paid to anyone who had purchased a new account at the higher rate. These refunds totaled approximately \$108,000 and are the driving factor in the decrease.
  - Total cost for chemicals decreased by \$58,883 (11.5%) from the previous year. The volume of chemicals used is dependent on the flow volume (treated water demand, sewer inflow). The City operates a combined sewer system that does not separate storm water which causes flows to increase with the level of precipitation. While total precipitation remained stable year over year, the prior year experienced a number of exceptionally heavy rain storms causing a spike in required chemicals.

The City's business-type activities are supported by user fees, also referred to as charges for services (\$5,518,684) with assistance from capital grants (\$251,537) and investment income (\$312,244). The percentage breakdown of revenue sources is illustrated in the following graph titled Revenues by Source – Business-type Activities.



**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

As the name suggests, business-type activities are accounted for in the same manner that businesses would account for operations. This being said, it is necessary that revenues meet or exceed expenses in order to continue operating. The graph titled Expenses and Program Revenues – Business-type Activities, demonstrates that during the current fiscal year, revenues exceeded expenses for both the water fund and the wastewater fund. Revenues and capital contributions exceeded expenses in the water fund by \$605,464 or 24.2% of total revenues (\$2,500,981). In the wastewater fund, revenues and capital contributions exceeded expenses by \$646,149 or 19.8% of total revenues (\$3,269,240). Each year the amount that revenues exceed expenses in these funds increases unrestricted net position. Included in unrestricted net position are amounts that management has designated for particular purposes, such as future capital improvements and debt.



Total net position in the water fund is \$3,980,034, an increase of 19.7% from the previous year. Half of the water fund's net position are invested in capital assets net of related debt; 50.1% or \$1,992,548. In the wastewater fund, total net position is \$11,736,918, an increase of 5.4% from the previous year. The vast majority of net position in the wastewater fund is invested in capital assets net of related debt; 86.1% or \$10,107,680. Other major factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

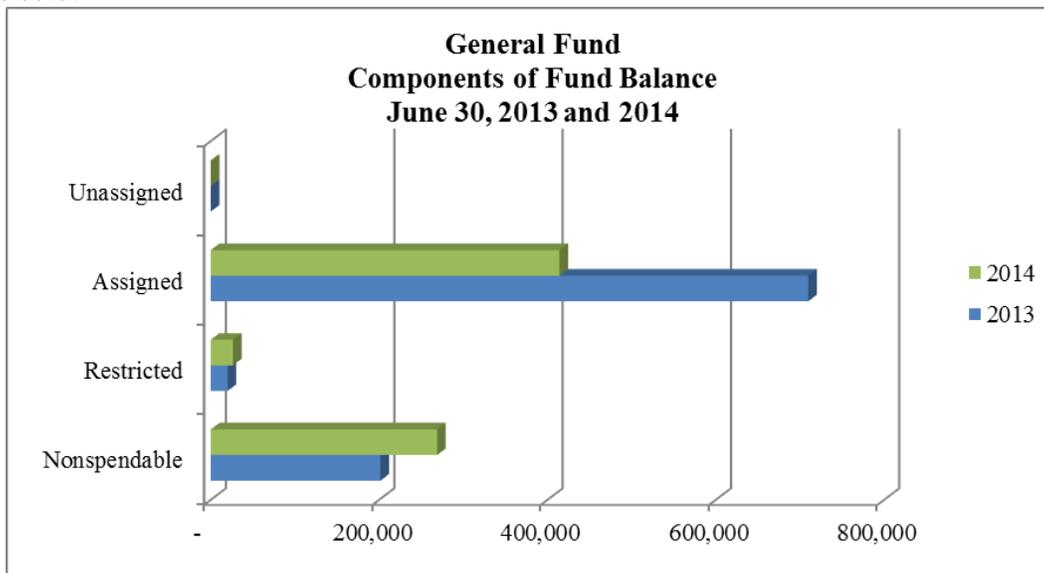
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Governmental Funds**

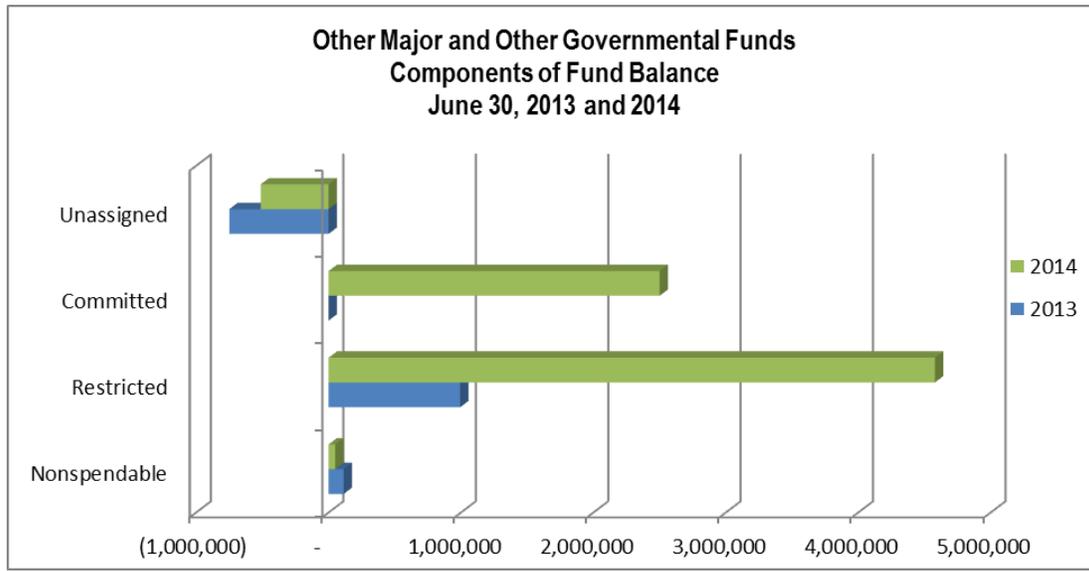
The focus of the City's governmental funds is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's 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 \$7,325,522, an increase of \$6,036,314 over the prior year. Of this total amount, \$319,406 or is non-spendable (advances to other funds, prepaid expenses and inventories) and \$4,605,095 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, \$2,500,000 is committed and \$414,326 has been assigned by the City for various purposes (detailed in Footnote IV.H. Net Position/Fund Balances) and unassigned fund balance is a deficit of \$513,305. The deficit unassigned fund balance is caused by timing of grant proceeds in the Streetscape fund and other governmental funds as well as a running deficit in the Fonda/Solo Building fund that will be funded when the property is sold.



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 \$709,580, a decrease of \$221,955 from the previous year. Of this amount, \$268,930 is non-spendable and \$26,324 is restricted unspent debt proceeds and donations. The remaining amount of \$414,326 has been assigned as detailed in the footnotes. 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 9.8% of total general fund expenditures, however, this amount includes nonspendable and restricted fund balances which would not be available to finance general fund expenditures if necessary. The remaining categories of fund balance (committed, assigned, and unassigned) are referred to as unrestricted fund balance and are resources that could be liquidated to support general fund expenditures if necessary. Unrestricted fund balance represents 5.7% of total general fund expenditures.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**



In the governmental funds other than the general fund the two noteworthy changes to fund balance are an increase in committed fund balance from zero to \$2,500,000 with the sale of property and parking rights during the year, and an increase in restricted fund balance of \$3,585,164 representing unspent debt proceeds in the TIF Capital Projects fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's budget for the year ended June 30, 2014 passed on the first vote in March of 2013 and there were no amendments made to the budget during the year. Actual revenues exceeded budgeted revenues by \$22,180 and actual expenditures exceeded budgeted expenditures by \$244,135.

The \$244,135 or 3.4% overage in expenditures is driven by capital purchases offset primarily with debt proceeds. These capital purchases included a \$26,626 truck in the Fire Department offset by lease proceeds; a \$130,000 sidewalk plow in the Public Works Department offset by loan proceeds; a \$43,000 bucket truck in the Fire Department that was funded subsequent to year end with debt proceeds; and a \$23,238 vehicle in the Recreation Department that was also funded subsequent to year end with debt proceeds. These combined capital purchases total \$222,864 and constitute the majority of the overage as each was a planned debt purchase and only the first year of debt service was included in the budget. The City also incurred \$188,811 of unbudgeted grant expenses during the year which were offset by unbudgeted grant revenues. Additionally, the City underspent their administration and legal budgets which offset some of the overages.

On the revenue side, the City had budgeted \$300,000 in payments on prior year taxes none of which was realized during the year. This considerable blow was offset by the unbudgeted debt proceeds mentioned above totaling \$156,626 during the year; \$133,611 in unbudgeted public safety grants and contracts; and \$47,200 in unbudgeted public works grants.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Other Major Governmental Funds**

The City reports two other major funds worth noting in its analysis – the TIF Capital Projects Fund and the TIF Debt Service Fund. The TIF Capital Projects fund is used to record and track all projects and initiatives within the TIF district that are funded with TIF debt proceeds. The fund balance increased by \$3,541,812 from the prior year which represents unspent TIF debt proceeds. During the year, the City issued a \$14,500,000 bond, of which \$3,000,000 was used to retire debt issued in the prior year in anticipation of the bond. Of the bond proceeds, \$7,115,955 was spent on construction of a parking garage; \$400,000 was spent on the Streetscape project, \$738,454 was used for other projects and initiatives in the district; and \$14,005 was transferred to the TIF Debt Service Fund to pay for debt service.

The TIF Debt Service Fund is new for the year ended June 30, 2014 and is used to account for debt service on voter approved TIF bonds. During the year, the fund balance in this fund increased from zero to \$2,500,000 as a result of the sale of property and parking rights to a third party. These funds are committed for TIF purposes. The debt service fund made \$237,960 in debt interest payments during the year. These were funded by incremental property tax revenues in the TIF district and a contribution from the TIF Capital Projects Fund.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2014 were \$54,269,016 (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 \$9,994,467 from June 30, 2013 to June 30, 2014, or 22.6%. Combined accumulated depreciation at the end of the year is \$16,585,329. Capital assets for governmental activities increased by \$8,531,090, net of accumulated depreciation. Capital assets for business-type activities increased by \$192,980, net of accumulated depreciation. During the year the City substantially completed construction of a parking garage driving the large increase in construction in progress and therefore overall capital assets.

**Summary of Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2014	2013	2014	2013	2014	2013
Capital Assets:						
Land	\$ 908,932	\$ 940,932	\$ 202,012	\$ 202,012	\$ 1,110,944	\$ 1,142,944
Construction in Progress	11,010,988	2,475,152	1,663,312	1,849,001	12,674,300	4,324,153
Buildings and Improvements	1,534,539	1,727,538	30,389,064	29,178,241	31,923,603	30,905,779
Machinery and Equipment	3,418,834	3,162,490	2,745,816	2,650,825	6,164,650	5,813,315
Infrastructure	2,395,519	2,088,358	0	0	2,395,519	2,088,358
	<u>19,268,812</u>	<u>10,394,470</u>	<u>35,000,204</u>	<u>33,880,079</u>	<u>54,269,016</u>	<u>44,274,549</u>
Less: Accumulated Depreciation	(2,537,764)	(2,194,513)	(14,047,564)	(13,120,419)	(16,585,328)	(15,314,932)
Total Assets, Net	<u>\$ 16,731,048</u>	<u>\$ 8,199,957</u>	<u>\$ 20,952,640</u>	<u>\$ 20,759,660</u>	<u>\$ 37,683,688</u>	<u>\$ 28,959,617</u>

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Major capital asset activity for the year ended June 30, 2014 included the following:

- The completion of the South Reservoir Dam project in the Water fund moved a total of \$1,210,823 from construction in progress to buildings and improvements in business-type activities.
- Notable additions to construction in progress in business-type activities include \$652,00 in Streetscape improvements and final design engineering for the Wastewater Treatment Facility Upgrade.
- Construction in progress in the governmental activities increased with the construction of 365 space parking garage in the downtown core. Parking garage construction was well underway as of June 30, 2014 and was completed and opened for business on October 30, 2014.
- Paving projects totaling \$247,780 and major sidewalk projects totaling \$59,382 were completed during the year contributing to the increase in governmental activities infrastructure.
- A surveillance camera system was purchased and installed in Taylor Park.
- A solar powered crosswalk system for \$24,400 was purchased with assistance of local businesses.
- Other major purchases include a sidewalk plow for \$130,000; a bucket truck for \$43,000; and two police cruisers totaling \$63,000.

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

**Long-Term Debt**

The City began the year with \$13,263,445 in long-term debt outstanding. As of June 30, 2014 this amount had increased by \$11,440,419 or 86.6% to end the current year with \$24,703,864 in long-term debt outstanding.

**Summary of Long Term Debt**

	<b>June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2014</b>
Governmental Activities	\$ 4,513,377	\$ 14,656,626	\$ 3,318,553	\$ 15,851,450
Business-type Activities	8,750,068	548,510	446,164	8,852,414
Total Government	\$ 13,263,445	\$ 15,205,136	\$ 3,764,717	\$ 24,703,864

Factors contributing to the change include the following:

- The City's governmental activities debt increased with the issuance of a \$14,500,000 tax increment financing (TIF) bond. A portion of TIF bond proceeds were used to retire \$3,000,000 of short term debt that was issued in the prior year in anticipation of the TIF bond. The net of these two transactions is an increase in debt of \$11,500,000. This is the primary cause of the drastic current year increase in governmental activities debt.
- New debt for the business-type activities included \$500,000 to replace the underground utilities during the Streetscape project and \$48,510 for the Wastewater Treatment Facility upgrade final design engineering.

**CITY OF ST. ALBANS, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

- Debt retired during the year in governmental activities included a note for purchase of a fire truck in addition to the \$3,000,000 bond anticipation note. In business-type activities the refinanced wastewater line of credit was retired.
- Principal payments totaling \$3,318,553 were made on governmental activities debt and principal payments totaling \$446,164 were made on business-type activities debt.

Additional information about long-term debt can be found in Footnote IV.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 (TIF) District that was approved by the State of Vermont and local voters in 2012. In brief, tax increment financing allows a municipality to issue bonds for public improvements and service those bonds using the municipal and education property taxes derived from the incremental increase in property values in the district.

In March and September 2013 voters authorized TIF bonds to construct a parking garage. During the year, the City was engaged in construction and the garage was open to the public on October 30, 2014. Concurrently, private construction on a forty thousand square foot office building adjacent to the garage was underway and the grand opening of that building was January 12, 2015. The City is continuing Streetscape improvements and anticipates additional infrastructure projects and private development in the TIF district in the near future.

### **Next Year's Budget**

In March 2014, the City's legal voters approved a General Fund budget for the year ended June 30, 2015 with total expenditures of \$7,405,580, an increase of \$300,608 or 4.2% from the prior year. Of these total expenditures, \$3,902,512 will be supported by property taxes. This is an increase of \$74,896 or 2.0% from the prior year. A municipal tax rate of .8044 per \$100 of assessed value has been levied and billed for fiscal year 2015. This is a .0207 or 2.6% increase over the prior year's tax rate of .7837 per \$100 of assessed value.

## **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 Department at 100 North Main St., St. Albans, VT 05478. The report is available online at [www.stalbansvt.com](http://www.stalbansvt.com).

CITY OF ST. ALBANS, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,786,982	\$ 1,195,402	\$ 11,982,384
Investments	55,448	0	55,448
Receivables (Net of Allowance for Uncollectibles)	716,109	1,139,326	1,855,435
Loans Receivable	107,346	0	107,346
Notes Receivable	0	11,834	11,834
Prepaid Expenses	69,324	0	69,324
Inventory	7,919	30,585	38,504
Internal Balances	(1,751,495)	1,751,495	0
Capital Assets			
Land	908,932	202,012	1,110,944
Construction in Progress	11,010,988	1,663,312	12,674,300
Other Capital Assets, (Net of Accumulated Depreciation)	4,811,128	19,087,316	23,898,444
Total Assets	<u>26,722,681</u>	<u>25,081,282</u>	<u>51,803,963</u>
<b>LIABILITIES</b>			
Accounts Payable	1,771,993	249,760	2,021,753
Accrued Payroll and Benefits Payable	94,298	13,233	107,531
Unearned Revenue	91,090	3,728	94,818
Accrued Interest Payable	65,472	79,986	145,458
Noncurrent Liabilities:			
Due within One Year	868,729	355,516	1,224,245
Due in More than One Year	15,518,816	8,662,107	24,180,923
Total Liabilities	<u>18,410,398</u>	<u>9,364,330</u>	<u>27,774,728</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid Property Taxes	29,102	0	29,102
Total Deferred Inflows of Resources	<u>29,102</u>	<u>0</u>	<u>29,102</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,540,627	12,100,228	20,640,855
Restricted			
Revolving Loan Fund	198,001	0	198,001
Taylor Park	9,166	0	9,166
Unrestricted/(Deficit)	(464,613)	3,616,724	3,152,111
Total Net Position	<u>\$ 8,283,181</u>	<u>\$ 15,716,952</u>	<u>\$ 24,000,133</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, 2014

	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
<b>Functions/Programs:</b>							
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 752,052	\$ 140,099	\$ 35,411	\$ 0	\$ (576,542)	\$ 0	\$ (576,542)
Public Safety	4,535,681	1,402,824	693,483	0	(2,439,374)	0	(2,439,374)
Public Works	815,624	54,405	128,419	885,807	253,007	0	253,007
Culture and Recreation	600,304	450,924	4,548	0	(144,832)	0	(144,832)
Community Development	762,129	7,892	0	0	(754,237)	0	(754,237)
Interest on Long-term Debt	337,282	0	0	0	(337,282)	0	(337,282)
Total Governmental Activities	<u>7,803,072</u>	<u>2,056,144</u>	<u>861,861</u>	<u>885,807</u>	<u>(3,999,260)</u>	<u>0</u>	<u>(3,999,260)</u>
<b>Business-Type Activities:</b>							
Water	1,895,517	2,404,911	0	96,070	0	605,464	605,464
Sewer	2,623,091	3,113,773	0	155,467	0	646,149	646,149
Total Business-Type Activities	<u>4,518,608</u>	<u>5,518,684</u>	<u>0</u>	<u>251,537</u>	<u>0</u>	<u>1,251,613</u>	<u>1,251,613</u>
Total Primary Government	<u>\$ 12,321,680</u>	<u>\$ 7,574,828</u>	<u>\$ 861,861</u>	<u>\$ 1,137,344</u>	<u>(3,999,260)</u>	<u>1,251,613</u>	<u>(2,747,647)</u>
<b>General Revenues:</b>							
Property Taxes					3,953,716	0	3,953,716
Interest and Penalties on Delinquent Taxes					65,714	0	65,714
Unrestricted Investment Earnings					4,540	312,244	316,784
General State Grants					86,703	0	86,703
Other Revenues					19,983	0	19,983
Gain on Sale of Capital Assets and Parking Rights					2,251,711	0	2,251,711
Transfers					306,946	(306,946)	0
Total General Revenues and Transfers					<u>6,689,313</u>	<u>5,298</u>	<u>6,694,611</u>
Change in Net Position					2,690,053	1,256,911	3,946,964
Net Position - July 1, 2013					<u>5,593,128</u>	<u>14,460,041</u>	<u>20,053,169</u>
Net Position - June 30, 2014					<u>\$ 8,283,181</u>	<u>\$ 15,716,952</u>	<u>\$ 24,000,133</u>

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

CITY OF ST. ALBANS, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Fund	TIF Capital Projects Fund	TIF Debt Service Fund	Streetscape Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 4,332,465	\$ 6,410,996	\$ 0	\$ 0	\$ 43,521	\$ 10,786,982
Investments	55,448	0	0	0	0	55,448
Receivables (Net of Allowance for Uncollectibles)	308,322	0	0	153,548	254,239	716,109
Due from Other Funds	0	0	2,500,000	0	9,985	2,509,985
Advances to Other Funds	191,687	0	0	0	50,476	242,163
Loans Receivable	0	0	0	0	107,346	107,346
Prepaid Expenses	69,324	0	0	0	0	69,324
Inventories	7,919	0	0	0	0	7,919
<b>Total Assets</b>	<b>\$ 4,965,165</b>	<b>\$ 6,410,996</b>	<b>\$ 2,500,000</b>	<b>\$ 153,548</b>	<b>\$ 465,567</b>	<b>\$ 14,495,276</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 178,340	\$ 1,474,293	\$ 0	\$ 42,165	\$ 77,195	\$ 1,771,993
Accrued Payroll and Benefits Payable	94,298	0	0	0	0	94,298
Due to Other Funds	3,689,251	400,953	0	111,383	59,893	4,261,480
Advances from Other Funds	0	0	0	0	242,163	242,163
Unearned Revenue	85,990	0	0	0	5,100	91,090
<b>Total Liabilities</b>	<b>4,047,879</b>	<b>1,875,246</b>	<b>0</b>	<b>153,548</b>	<b>384,351</b>	<b>6,461,024</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid Property Taxes	29,102	0	0	0	0	29,102
Unavailable Revenue - Property Taxes	156,300	0	0	0	0	156,300
Unavailable Revenue - Other	22,304	0	0	153,548	347,476	523,328
<b>Total Deferred Inflows of Resources</b>	<b>207,706</b>	<b>0</b>	<b>0</b>	<b>153,548</b>	<b>347,476</b>	<b>708,730</b>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	268,930	0	0	0	50,476	319,406
Restricted	26,324	4,535,750	0	0	43,021	4,605,095
Committed	0	0	2,500,000	0	0	2,500,000
Assigned	414,326	0	0	0	0	414,326
Unassigned	0	0	0	(153,548)	(359,757)	(513,305)
<b>Total Fund Balances/(Deficit)</b>	<b>709,580</b>	<b>4,535,750</b>	<b>2,500,000</b>	<b>(153,548)</b>	<b>(266,260)</b>	<b>7,325,522</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,965,165</b>	<b>\$ 6,410,996</b>	<b>\$ 2,500,000</b>	<b>\$ 153,548</b>	<b>\$ 465,567</b>	

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. 16,731,048

Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds. 679,628

Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds. (16,453,017)

Net Position of Governmental Activities \$ 8,283,181

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, 2014

	General Fund	TIF Capital Projects Fund	TIF Debt Service Fund	Streetscape Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property Taxes	\$ 3,880,339	\$ 0	\$ 155,077	\$ 0	\$ 0	\$ 4,035,416
Penalties and Interest	65,713	0	0	0	0	65,713
Intergovernmental Revenues	991,564	0	0	1,001,813	182,787	2,176,164
Charges for Services	1,798,004	0	0	0	0	1,798,004
Investment Income	4,163	0	0	0	377	4,540
Licenses and Permits	109,977	0	0	44,250	0	154,227
Other Revenue	132,834	400	0	6,400	2,480	142,114
<b>Total Revenues</b>	<b>6,982,594</b>	<b>400</b>	<b>155,077</b>	<b>1,052,463</b>	<b>185,644</b>	<b>8,376,178</b>
<b>EXPENDITURES</b>						
Current:						
General Government	747,579	0	0	0	14,324	761,903
Public Safety	4,205,467	0	0	0	47,359	4,252,826
Public Works	637,760	0	0	0	0	637,760
Culture and Recreation	564,466	0	0	0	1,769	566,235
Community Development	0	738,454	0	0	23,675	762,129
Capital Outlay:						
General Government	65,553	0	0	0	0	65,553
Public Safety	180,906	0	0	0	0	180,906
Public Works	483,585	7,115,955	0	1,140,085	219,163	8,958,788
Culture and Recreation	23,238	0	0	0	0	23,238
Debt Service:						
Principal	318,553	0	0	0	0	318,553
Interest	42,285	0	237,960	0	0	280,245
<b>Total Expenditures</b>	<b>7,269,392</b>	<b>7,854,409</b>	<b>237,960</b>	<b>1,140,085</b>	<b>306,290</b>	<b>16,808,136</b>
Excess/(Deficiency) of Revenues Over Expenditures	(286,798)	(7,854,009)	(82,883)	(87,622)	(120,646)	(8,431,958)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of Long-Term Debt	156,626	11,500,000	0	0	0	11,656,626
Proceeds from Sale of Equipment, Land and Parking Rights	4,700	0	2,500,000	0	0	2,504,700
Transfers In	20,964	309,826	82,883	423,208	1,517	838,398
Transfers Out	(117,447)	(414,005)	0	0	0	(531,452)
<b>Total Other Financing Sources/(Uses)</b>	<b>64,843</b>	<b>11,395,821</b>	<b>2,582,883</b>	<b>423,208</b>	<b>1,517</b>	<b>14,468,272</b>
Net Change in Fund Balances	(221,955)	3,541,812	2,500,000	335,586	(119,129)	6,036,314
Fund Balances/(Deficit) - July 1, 2013	931,535	993,938	0	(489,134)	(147,131)	1,289,208
Fund Balances/(Deficit) - June 30, 2014	<u>\$ 709,580</u>	<u>\$ 4,535,750</u>	<u>\$ 2,500,000</u>	<u>\$ (153,548)</u>	<u>\$ (266,260)</u>	<u>\$ 7,325,522</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, 2014

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)	\$	6,036,314
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$9,228,485) is allocated over their estimated useful lives and reported as depreciation expense (\$444,405). This is the amount by which capital outlays exceeded depreciation in the current period.		8,784,080
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and loss on disposals) is to decrease net position.		(252,989)
The issuance of long-term debt (\$11,656,626) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$318,553) 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.		(11,338,073)
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 decrease of unearned and unavailable revenue over last year.		(363,143)
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>(176,136)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>2,690,053</u></u>

The General Fund charges the Water and Sewer Funds for administrative expenses. These charges totaling \$78,570 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, 2014

	Water Fund	Wastewater Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 623,133	\$ 572,269	\$ 1,195,402
Receivables (Net of Allowance for Uncollectible Accounts)	471,502	667,824	1,139,326
Notes Receivable, Current Portion	0	3,342	3,342
Inventory	17,465	13,120	30,585
Due from Other Funds	1,081,544	669,951	1,751,495
Total Current Assets	2,193,644	1,926,506	4,120,150
Noncurrent Assets:			
Notes Receivable	0	8,492	8,492
Capital Assets			
Land	155,000	47,012	202,012
Construction in Progress	765,537	897,775	1,663,312
Buildings, Distribution and Collection System and Improvements	8,529,212	21,859,852	30,389,064
Vehicles, Machinery and Equipment	1,266,464	1,479,352	2,745,816
Less Accumulated Depreciation	(3,912,336)	(10,135,228)	(14,047,564)
Total Noncurrent Assets	6,803,877	14,157,255	20,961,132
Total Assets	\$ 8,997,521	\$ 16,083,761	\$ 25,081,282
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 118,348	\$ 131,412	\$ 249,760
Accrued Payroll	6,101	7,132	13,233
Unearned Revenue	3,728	0	3,728
Accrued Interest Payable	18,247	61,739	79,986
Bonds Payable - Current Portion	97,138	172,974	270,112
Notes Payable - Current Portion	63,548	21,856	85,404
Total Current Liabilities	307,110	395,113	702,223
Noncurrent Liabilities			
Compensated Absences Payable	59,734	105,477	165,211
Bonds Payable - Noncurrent Portion	3,313,992	3,530,819	6,844,811
Notes Payable - Noncurrent Portion	1,336,651	315,434	1,652,085
Total Noncurrent Liabilities	4,710,377	3,951,730	8,662,107
Total Liabilities	5,017,487	4,346,843	9,364,330
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,992,548	10,107,680	12,100,228
Unrestricted	1,987,486	1,629,238	3,616,724
Total Net Position	3,980,034	11,736,918	15,716,952
Total Liabilities and Net Position	\$ 8,997,521	\$ 16,083,761	\$ 25,081,282

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

CITY OF ST. ALBANS, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Wastewater Fund	Total
Operating Revenues:			
Charges for Services	\$ 2,086,849	\$ 2,618,015	\$ 4,704,864
Penalties and Interest	15,183	19,913	35,096
Allocation Fees	285,960	473,340	759,300
Other Income	1,919	2,505	4,424
	<u>2,389,911</u>	<u>3,113,773</u>	<u>5,503,684</u>
Total Operating Revenues			
Operating Expenses:			
Salaries and Benefits	662,483	822,541	1,485,024
Other Purchased Services	90,311	171,131	261,442
Chemicals	136,835	316,694	453,529
Repairs and Maintenance	99,020	106,660	205,680
Insurances	51,325	51,148	102,473
Utilities	293,883	233,595	527,478
Supplies	15,926	18,235	34,161
Real Estate and State Water Taxes	55,265	4,943	60,208
Other Operating Costs	80,792	88,400	169,192
Depreciation	265,005	724,549	989,554
	<u>1,750,845</u>	<u>2,537,896</u>	<u>4,288,741</u>
Total Operating Expenses			
Operating Income	<u>639,066</u>	<u>575,877</u>	<u>1,214,943</u>
Nonoperating Revenues (Expenses):			
Land Lease	15,000	0	15,000
Investment Income	118,429	193,815	312,244
Interest Expense	(144,672)	(85,195)	(229,867)
	<u>(11,243)</u>	<u>108,620</u>	<u>97,377</u>
Total Nonoperating Revenues (Expenses)			
Net Income Before Capital Contributions and Transfers	627,823	684,497	1,312,320
Capital Contributions	96,070	155,467	251,537
Transfers Out	(69,747)	(237,199)	(306,946)
Change in Net Position	654,146	602,765	1,256,911
Net Position - July 1, 2013	<u>3,325,888</u>	<u>11,134,153</u>	<u>14,460,041</u>
Net Position - June 30, 2014	<u>\$ 3,980,034</u>	<u>\$ 11,736,918</u>	<u>\$ 15,716,952</u>

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, 2014

	Water Fund	Wastewater Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 2,310,671	\$ 3,086,949	\$ 5,397,620
Other Receipts	1,919	2,505	4,424
Payments to Suppliers	(682,680)	(918,641)	(1,601,321)
Payment of Taxes	(55,265)	(4,943)	(60,208)
Payments for Wages and Benefits	(657,066)	(818,548)	(1,475,614)
	<u>917,579</u>	<u>1,347,322</u>	<u>2,264,901</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Land Lease	15,000	0	15,000
Decrease/(Increase) in Due from Other Funds	(370,913)	(800,356)	(1,171,269)
Transfers Out	(69,747)	(237,199)	(306,946)
	<u>(425,660)</u>	<u>(1,037,555)</u>	<u>(1,463,215)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Contributions	96,070	158,157	254,227
Acquisition and Construction of Capital Assets	(616,228)	(566,306)	(1,182,534)
Proceeds of Long-Term Debt	250,000	298,510	548,510
Principal Paid on:			
General Obligation Bonds	(93,465)	(169,583)	(263,048)
Notes Payable	(60,596)	(122,521)	(183,117)
Interest Paid on:			
General Obligation Bonds	(135,894)	(77,468)	(213,362)
Notes Payable	(9,427)	(10,695)	(20,122)
	<u>(569,540)</u>	<u>(489,906)</u>	<u>(1,059,446)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of Interest & Dividends	118,429	193,815	312,244
	<u>118,429</u>	<u>193,815</u>	<u>312,244</u>
Net Increase in Cash	40,808	13,676	54,484
Cash - July 1, 2013	582,325	558,593	1,140,918
Cash - June 30, 2014	<u>\$ 623,133</u>	<u>\$ 572,269</u>	<u>\$ 1,195,402</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income	639,066	575,877	1,214,943
Depreciation	265,005	724,549	989,554
(Increase)/Decrease in Receivables	(11,187)	(24,319)	(35,506)
(Increase)/Decrease in Inventory	1,912	(845)	1,067
Increase/(Decrease) in Accounts Payable	83,500	68,067	151,567
Increase/(Decrease) in Accrued Payroll	2,161	2,058	4,219
Increase/(Decrease) in Unearned Revenue	(66,134)	0	(66,134)
Increase/(Decrease) in Compensated Absences Payable	3,256	1,935	5,191
	<u>\$ 917,579</u>	<u>\$ 1,347,322</u>	<u>\$ 2,264,901</u>

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

CITY OF ST. ALBANS, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Pension Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 0	\$ 147,633
Investments	3,944,851	0
Receivables	15,547	0
Total Assets	3,960,398	147,633
<b>LIABILITIES</b>		
Due to Others	0	147,633
Total Liabilities	0	147,633
<b>NET POSITION</b>		
Net Position Restricted for Pensions	\$ 3,960,398	\$ 0

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

CITY OF ST. ALBANS, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Pension Trust Fund
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 200,000
Plan Members	40,043
Total Contributions	240,043
 Net Investment Earnings	 256,831
Total Additions	496,874
 <b>DEDUCTIONS</b>	
Benefits - Pension	432,133
Administrative Expenses	28,753
Management Fee	6,890
Total Deductions	467,776
 Net Increase in Net Position	 29,098
 Net Position - July 1, 2013	 3,931,300
 Net Position- June 30, 2014	 \$ 3,960,398

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

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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 – 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2014

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 – 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 – 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 Capital Projects Fund – This fund is used to account for all expenditures and revenues related to capital projects and improvements within the tax increment financing (TIF) district.

TIF Debt Service Fund – This debt service fund is used to account for all debt service related to the TIF district.

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

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

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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.

Additionally, the City reports the following fund types:

Pension Trust Fund – 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 Funds – These funds accounts for monies maintained for a local group called Saint Albans for the Future (SAFF) and for monies held in escrow as a result of tax sales.

### **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, deferred outflows of resources, deferred inflows of resources, 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 invested in capital assets, net of related debt; 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 position) 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 position. 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.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement and 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.

Governmental funds are reported using the current financial resource measurement focus and 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.

Property taxes, licenses, ordinance violation fees, inspection fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within sixty (60) days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**F. New Pronouncement – Financial Reporting for Pension Plans**

Effective June 30, 2014, the City implemented GASB Statement No. 67, “Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25”. The objective of this Statement is to improve the usefulness of pension information included in the financial statements of state and local government pension plans for making decisions and assessing accountability.

**G. Future Changes in Accounting Standards**

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, “Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27”, effective for fiscal years beginning after June 15, 2014. This new accounting and reporting standard may impact the City’s measurement and recognition of pension liabilities, deferred outflows or resources, deferred inflows of resources, and expenses/expenditures in government-wide and/or enterprise fund financial statements. The requirements of this statement may require restating of beginning net position. The City is currently not planning to early implement this Statement, and has made no estimation of the effect this Statement will have in the financial statements.

**H. 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”.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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.

#### **5. Inventories and Prepaid Expense Expenses**

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

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

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

#### **6. Deferred Outflows/Inflows of Resources**

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.

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 (3) types of items which arise under the modified accrual basis of accounting and one (1) 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 property taxes. The governmental funds report unavailable revenues from three (3) sources; prepaid property taxes, unavailable property taxes, penalties and interest and unavailable other revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **7. 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. 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.

CITY OF ST. ALBANS, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2014

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.

**8. 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. Compensated absences are reported in governmental funds only if they have matured.

**9. 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.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**10. 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.

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.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**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.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2014, expenditures in the General Fund exceeded appropriations by \$244,135. This was funded by unbudgeted revenues and available fund balance.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The City's cash and investments as of June 30, 2014 consisted of the following:

Cash:

Cash on Hand	\$ 600
Deposits with Financial Institutions	5,718,421
Deposits with Investment Company	<u>6,410,996</u>
Total Cash	<u>12,130,017</u>

Investments:

Mutual Funds - Cash Equivalents	55,448
Pension Investments - International Stocks	408,329
Pension Investments - US Stocks	1,024,751
Pension Investment - Guaranteed Deposit Account	<u>2,511,771</u>
Total Investments	<u>4,000,299</u>
Total Cash and Investments	<u>\$ 16,130,316</u>

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 City's international stock, U.S. stock and mutual funds are in the name of the City and are not exposed to custodial credit risk. The guaranteed deposit account is a group annuity product 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	\$ 571,291	\$ 571,291
Uninsured, Uncollateralized - Held by Bank's Trust Department	6,160,996	6,160,996
Uninsured, Uncollateralized (\$2,707,913 Could be Offset by Debt to the Respective Bank)	<u>5,452,578</u>	<u>5,612,694</u>
Total Cash Deposits	<u>\$ 12,184,865</u>	<u>\$ 12,344,981</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	\$ 5,718,421
Cash with Investment Company	6,410,996
Mutual Funds – Cash Equivalents	<u>55,448</u>
Total Cash Deposits	<u>\$ 12,184,865</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, 2014

**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 64% of their retirement investments invested in a guaranteed deposit account with PRIAC. The other 36% of the City's retirement investments are in stocks.

**B. Receivables**

Receivables at June 30, 2014, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows.

	Governmental Activities		Business-Type Activities		Total
	<u>                    </u>		<u>                    </u>		<u>                    </u>
Delinquent Taxes	\$ 240,042	\$	0	\$	240,042
Penalties and Interest	37,214		0		37,214
Billed Services	0		812,938		812,938
Unbilled Services	0		277,867		277,867
Grants	431,882		0		431,882
Other	35,854		63,021		98,875
Reimbursements	2,117		0		2,117
Allowance for Doubtful Accounts	(31,000)		(14,500)		(45,500)
	<u>\$ 716,109</u>	\$	<u>1,139,326</u>	\$	<u>1,855,435</u>

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**C. Loans and Notes Receivable**

Loans Receivable at June 30, 2014 consists of six (6) loans for community development as follows.

Governmental Funds

Loan Receivable; Local Business; Interest at 2%; Monthly Interest and Principal Payments of \$88; Due April 10, 2017	\$ 4,762
Loan Receivable; Local Business; Interest at 1%; Balloon Payment Plus Interest Due October 27, 2016; Secured by a Mortgage on Real Estate	65,000
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>1,524,363</u>
Plus: Accrued Interest on Note	2,584
Less: Allowance for Doubtful Loans Receivable	<u>(1,419,601)</u>
Governmental Funds Reported Balance at June 30, 2014	\$ <u><u>107,346</u></u>

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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

<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Amounts</u> <u>Written Off</u>	<u>Balance</u> <u>June 30, 2014</u>
\$ 1,519,601	\$ 5,000	\$ 238	\$ 0	\$ 1,524,363

Notes Receivable at June 30, 2014 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	\$ 11,834
Proprietary Funds Reported Value at June 30, 2014	\$ 11,834

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

<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Amounts</u> <u>Written Off</u>	<u>Balance</u> <u>June 30, 2014</u>
\$ 14.524	\$ 0	\$ 2.690	\$ 0	\$ 11,834

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 940,932	\$ 0	\$ 32,000	\$ 908,932
Construction in Progress	2,475,152	8,540,756	4,920	11,010,988
Total Capital Assets, Not Being Depreciated	<u>3,416,084</u>	<u>8,540,756</u>	<u>36,920</u>	<u>11,919,920</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,727,538	0	192,999	1,534,539
Vehicles, Machinery and Equipment	3,162,490	385,488	129,144	3,418,834
Infrastructure	2,088,358	307,161	0	2,395,519
	<u>6,978,386</u>	<u>692,649</u>	<u>322,143</u>	<u>7,348,892</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	782,177	36,153	26,537	791,793
Vehicles, Machinery and Equipment	1,170,588	322,227	74,617	1,418,198
Infrastructure	241,748	86,025	0	327,773
Totals	<u>2,194,513</u>	<u>444,405</u>	<u>101,154</u>	<u>2,537,764</u>
Total Capital Assets, Being Depreciated	<u>4,783,873</u>	<u>248,244</u>	<u>220,989</u>	<u>4,811,128</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,199,957</u>	<u>\$ 8,789,000</u>	<u>\$ 257,909</u>	<u>\$ 16,731,048</u>

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 202,012	\$ 0	\$ 0	\$ 202,012
Construction in Progress	<u>1,849,001</u>	<u>1,025,134</u>	<u>1,210,823</u>	<u>1,663,312</u>
Total Capital Assets, Not Being Depreciated	<u>2,051,013</u>	<u>1,025,134</u>	<u>1,210,823</u>	<u>1,865,324</u>
Capital Assets, Being Depreciated:				
Buildings, Distribution and Collection				
Systems & Improvements	29,178,241	1,210,823	0	30,389,064
Machinery and Equipment	<u>2,650,825</u>	<u>157,400</u>	<u>62,409</u>	<u>2,745,816</u>
Totals	<u>31,829,066</u>	<u>1,368,223</u>	<u>62,409</u>	<u>33,134,880</u>
Less Accumulated Depreciation for:				
Buildings, Distribution and Collection				
Systems & Improvements	11,631,498	740,930	0	12,372,428
Machinery and Equipment	<u>1,488,921</u>	<u>248,624</u>	<u>62,409</u>	<u>1,675,136</u>
Totals	<u>13,120,419</u>	<u>989,554</u>	<u>62,409</u>	<u>14,047,564</u>
Total Capital Assets, Being Depreciated	<u>18,708,647</u>	<u>378,669</u>	<u>0</u>	<u>19,087,316</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,759,660</u>	<u>\$ 1,403,803</u>	<u>\$ 1,210,823</u>	<u>\$ 20,952,640</u>

The City has capitalized \$42,357 of interest in the Proprietary Funds during 2014. The cumulative interest capitalized in the Proprietary Funds is \$78,645.

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 8,205	Water	\$ 265,005
Public Safety	262,582	Sewer	<u>724,549</u>
Public Works	138,117		
Culture and Recreation	<u>35,501</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 444,405</u>	Total Depreciation Expense - Business- Type Activities	<u>\$ 989,554</u>

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**E. Interfund Balances and Activity**

The composition of Due From/(To) Other Funds at June 30, 2014 is as follows:

<u>Fund Name</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 3,689,251
TIF Capital Projects Fund	0	400,953
TIF Debt Service Fund	2,500,000	0
Streetscape Fund	0	111,383
Other Governmental Funds	9,985	59,893
Water Fund	1,081,544	0
Wastewater Fund	<u>669,951</u>	<u>0</u>
 Total	 <u>\$ 4,261,480</u>	 <u>\$ 4,261,480</u>

The composition of Advances To/(From) Other Funds at June 30, 2014 is as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 191,687	\$ 0
Revolving Loan Fund	50,476	0
Fonda/Solo Building Fund	0	80,457
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/Solo building site is sold. These advances are interest free.

Interfund transfers during the year ended June 30, 2014 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	VCDP Grants Fund	\$ 1,517	Fund local match on grants
General Fund	TIF Capital Projects Fund	23,844	Fund TIF outreach expenses
General Fund	Streetscape Fund	23,208	Fund local match on grants
General Fund	TIF Debt Service Fund	68,878	Fund TIF Bond debt service
TIF Capital Projects Fund	TIF Debt Service Fund	14,005	Fund TIF Bond debt service
TIF Capital Projects Fund	Streetscape Fund	400,000	Fund local match on grants
Water Fund	TIF Capital Projects Fund	59,265	Parking Garage Utility Work
Water Fund	General Fund	10,482	Contribute to City Hall Renovation
Wastewater Fund	TIF Capital Projects Fund	226,717	Parking Garage Utility Work
Wastewater Fund	General Fund	<u>10,482</u>	Contribute to City Hall Renovation
 Total		 <u>\$ 838,398</u>	

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**F. Unearned Revenue and Deferred Inflows of Resources**

Unearned revenue in the General Fund consists of \$3,000 of parking fees received in advance; \$19,108 of payments for recreation programs for fiscal year 2015; and \$63,882 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 \$85,990.

Unearned revenue in the Other Governmental Funds consists of \$5,100 of donations to 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 \$5,100.

Unearned revenue in the Water Fund of \$3,728 consists of water fees received in advance. This revenue will be earned in 2015 as water fees are billed.

Deferred inflows of resources in the General Fund consists of \$156,300 of delinquent property taxes, penalties and interest on those taxes as well as \$22,304 in other receivables that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$29,102 of prepaid property taxes. Total deferred inflows of resources in the General Fund are \$207,706.

Deferred inflows of resources in the Streetscape Fund consists of \$153,548 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 \$107,346 of net loans receivable and \$240,130 of grant receivables 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 as receivables are collected. Total deferred inflows of resources in the Other Governmental Funds are \$347,476.

**G. 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.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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.

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

Long-term liabilities outstanding as of June 30, 2014 were as follows.

Bonds, Notes and Capital Leases Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Note Payable – Peoples Trust Company; Blouin Parking Lot; Interest at 3.50%; Monthly Principal and Interest Payments of \$1,252; Due October 31, 2020	\$ 98,002	\$ 0	\$ 12,783	\$ 85,219
Note Payable – Peoples Trust Company; 32 Nason Street Property; Interest at 3.75%; Monthly Principal and Interest Payments of \$997; Due December 25, 2016	38,017	0	10,723	27,294

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
Note Payable – Peoples Trust Company; Fonda/Solo Building Purchase; Interest at 1.75%; Due July 23, 2014; The City is Making Interest Only Payments and Renewing Each Year Until the Property is Sold. The Note was Renewed Until July 31, 2015 with Interest at 1.50%	\$ 325,816	\$ 0	\$ 0	\$ 325,816
Note Payable – Peoples Trust Company; Fire Truck Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,764; Due and Paid April 28, 2014	15,265	0	15,265	0
Bond Payable – 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	190,000	0	95,000	95,000
Note Payable – Peoples Trust Company; Purchase of Little League Fields; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,563; Due July 23, 2014	19,996	0	18,434	1,562
Note Payable – 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	169,865	0	13,854	156,011

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Bond Payable – 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	\$ 70,000	\$ 0	\$ 35,000	\$ 35,000
Note Payable – Peoples Trust Company; Court House Parking Lot; Interest at 3.75%; Monthly Principal and Interest Payments of \$1,501; Due July 14, 2020	111,885	0	14,035	97,850
Note Payable – Peoples Trust Company; One Third (33.34%) of Single Axel Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	28,125	0	9,586	18,539
Note Payable – Peoples Trust Company; Federal Street Project Local Match; Interest at 1.65%; Monthly Principal and Interest Payments of \$2,222; Due June 30, 2014 at Which Time the City will Refinance the Note	44,480	0	23,930	20,550
Note Payable – Peoples Trust Company; Sidewalk Plow Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,473; Due March 21, 2017	62,913	0	16,141	46,772
Note Payable – Peoples Trust Company; Houghton Park Tennis Court Upgrades; Interest at 2.75%; Monthly Principal and Interest Payments of \$732; Due January 12, 2017	29,950	0	8,063	21,887

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Note Payable – Peoples Trust Company; Barlow Street Tennis Court Upgrades; Interest at 3.25%; Monthly Principal and Interest Payments of \$983; Due December 17, 2022	\$ 96,303	\$ 0	\$ 8,796	\$ 87,507
Note Payable – Peoples Trust Company; TIF District Bond Anticipation Note; Interest at 1.65%; Refinanced in 2014 with Bonds from the Vermont Municipal Bond Bank	3,000,000	0	3,000,000	0
Note Payable – Peoples Trust Company; One Third (33.34%) of Mini-Excavator; Interest at 3.20%; Monthly Principal and Interest Payments of \$167; Due May 23, 2023	16,994	0	1,482	15,512
Note Payable – Peoples Trust Company; Sidewalk Plow II Purchase Interest at 2.85%; Monthly Principal and Interest Payments of \$5,150; Due March 15, 2021	0	130,000	3,911	126,089
Bond Payable – 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	170,000	0	25,000	145,000
Bond Payable – Vermont Municipal Bond Bank; TIF District Bond; Interest Varies from 0.643% to 4.723%; Annual Principal Payments Ranging From \$570,000 to \$1,010,000 Due Each November; Semi-Annual Interest Payments Due Each May and November; Due November 15, 2033	0	14,500,000	0	14,500,000

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Capital Lease Payable – Municipal Leasing; Recreation Van; Interest at 4.45%; Annual Principal and Interest Payments of \$4,987; Due October 15, 2018	\$ 25,766	\$ 0	\$ 3,841	\$ 21,925
Capital Lease Payable – Municipal Leasing; Fire Pickup Truck; Interest at 2.99%; Quarterly Principal and Interest Payments of \$1,085; Due August 15, 2020	<u>0</u>	<u>26,626</u>	<u>2,709</u>	<u>23,917</u>
Total Governmental Activities	\$ <u>4,513,377</u>	\$ <u>14,656,626</u>	\$ <u>3,318,553</u>	\$ <u>15,851,450</u>

Business-Type Activities

Water Fund

Bond Payable – 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	\$ 3,504,595	\$ 0	\$ 93,465	\$ 3,411,130
---	--------------	------	-----------	--------------

Note Payable – Peoples Trust Company; Fifty Percent (50%) Streetscape Utilities; Interest at 3.90%; Monthly Principal and Interest Payments of \$1,502; Due August 28, 2033	0	250,000	6,946	243,054
---	---	---------	-------	---------

Note Payable – Peoples Trust Company; One Third (33.33%) of Single Axel Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	28,124	0	9,586	18,538
---	--------	---	-------	--------

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
Note Payable – Peoples Trust Company; One Third (33.33%) of Mini-Excavator; Interest at 3.20%; Monthly Principal and Interest Payments of \$167; Due May 23, 2023	\$ 16,994	\$ 0	\$ 1,481	\$ 15,513
Note Payable – Peoples Trust Company; Fairfax Dam Construction Interest at 3.70%; Monthly Principal and Interest Payments of \$7,083; Due August 17, 2032	<u>1,165,677</u>	<u>0</u>	<u>42,583</u>	<u>1,123,094</u>
Total Water Fund	<u>\$ 4,715,390</u>	<u>\$ 250,000</u>	<u>\$ 154,061</u>	<u>\$ 4,811,329</u>
Wastewater Fund:				
Note Payable – Peoples Trust Company; Fifty Percent (50%) Streetscape Utilities; Interest at 3.90%; Monthly Principal and Interest Payments of \$1,502; Due August 28, 2033	0	250,000	6,947	243,053
Note Payable – Peoples Trust Company; Wastewater Line of Credit Refinancing; Interest at 2.75%; Monthly Principal and Interest Payment of \$10,581; Due and Paid April, 2014	104,508	0	104,508	0
Bond Payable – State of Vermont Special Environmental Revolving 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; Due September 1, 2031	1,360,811	0	59,579	1,301,232

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Bond Payable – State of Vermont Special Environmental Revolving 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; Due July 1, 2031	\$2,358,113	\$ 0	\$ 103,242	\$2,254,871
Bond Payable – State of Vermont Special Environmental Revolving Fund; Wastewater Treatment Facility Improvements; 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	154,452	0	6,762	147,690
Note Payable – State of Vermont Special Environmental Revolving 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
Note Payable – Peoples Trust Company; One Third (33.33%) of Single Axel Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	28,124	0	9,586	18,538
Note Payable – Peoples Trust Company; One Third (33.33%) of Mini-Excavator; Interest at 3.20%; Monthly Principal and Interest Payments of \$167; Due May 23, 2023	16,994	0	1,481	15,513

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

	Beginning Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2014</u>
Note Payable – State of Vermont Special Environmental Revolving Fund; Wastewater Planning Loan; Interest at 0.00%; \$53,900 Authorized; Annual Payments of \$10,780 Beginning December 1, 2018; Due December 1, 2022	\$ <u>0</u>	\$ <u>48,510</u>	\$ <u>0</u>	\$ <u>48,510</u>
Total Wastewater Fund	<u>4,034,678</u>	<u>298,510</u>	<u>292,105</u>	<u>4,041,083</u>
Total Business-Type Activities	<u>\$ 8,750,068</u>	<u>\$ 548,510</u>	<u>\$ 446,166</u>	<u>\$ 8,852,412</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable	\$ 430,000	\$ 14,500,000	\$ 155,000	\$ 14,775,000	\$ 725,000
Notes Payable	4,057,612	130,000	3,157,003	1,030,609	136,276
Capital Leases Payable	25,765	26,626	6,550	45,841	7,453
Compensated Absences	345,468	6,254	0	351,722	0
Net Pension Obligation	<u>71,529</u>	<u>112,844</u>	<u>0</u>	<u>184,373</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>4,930,374</u>	<u>14,775,724</u>	<u>3,318,553</u>	<u>16,387,545</u>	<u>868,729</u>
<b>Business-type Activities</b>					
Bonds Payable	7,377,971	0	263,048	7,114,923	270,112
Notes Payable	1,372,097	548,510	183,118	1,737,489	85,404
Compensated Absences	<u>160,020</u>	<u>5,191</u>	<u>0</u>	<u>165,211</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 8,910,088</u>	<u>\$ 553,701</u>	<u>\$ 446,166</u>	<u>\$ 9,017,623</u>	<u>\$ 355,516</u>

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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
2015	\$ 861,276	\$ 513,216	\$ 9,328	\$ 355,516	\$ 303,491
2016	712,945	502,047	9,327	365,806	257,129
2017	696,666	492,581	9,328	357,032	246,701
2018	681,424	482,327	9,327	367,398	236,256
2019	694,070	469,742	9,327	388,053	225,473
2020-2024	3,423,412	2,071,993	4,340	2,084,364	953,588
2025-2029	3,775,000	1,442,212	1,086	2,353,508	617,779
2030-2034	4,635,000	551,008	0	2,041,266	256,869
2035-2039	0	0	0	539,469	27,921
Unknown	325,816	0	0	0	0
<b>Total</b>	<b>15,805,609</b>	<b>6,525,126</b>	<b>52,063</b>	<b>8,852,412</b>	<b>3,125,207</b>
Less: Imputed Interest	0	0	(6,222)	0	0
<b>Total</b>	<b>\$ 15,805,609</b>	<b>\$ 6,525,126</b>	<b>\$ 45,841</b>	<b>\$ 8,852,412</b>	<b>\$ 3,125,207</b>

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

Beginning Balance	\$ 495,514
Repayments of Line of Credit – Streetscape Fund	<u>(495,514)</u>
Ending Balance	<u>\$ 0</u>

The City has an available line of credit of \$1,000,000 with Peoples Trust Company. Interest is at 1.5% and matures February 1, 2015. The balance outstanding as of June 30, 2014 was \$-0-.

**H. 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  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2014

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, 2014 consisted of the following:

Governmental Activities:

Restricted for Revolving Loan Fund by Grant Agreement	\$ 198,001
Restricted for Taylor Park Fountain by Donation	6,324
Restricted for Taylor Park by Donations	<u>2,842</u>
Total Governmental Activities	<u>\$ 207,167</u>

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

General Fund:

Nonspendable Advances to Other Funds	\$ 191,687
Nonspendable Inventories	7,919
Nonspendable Prepaid Insurances	69,324

CITY OF ST. ALBANS, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2014

Revolving Loan Fund:

Nonspendable Advances to Other Funds	\$ <u>50,476</u>
Total Nonspendable Fund Balances	\$ <u>319,406</u>

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

Major Funds

General Fund:

Restricted for Recreation by Unspent Debt Proceeds	\$ 20,000
Restricted for Taylor Park Fountain Repairs by Donation	6,324

TIF Capital Projects Fund:

Restricted for TIF Projects by Unspent Debt Proceeds	<u>4,535,750</u>
Total Major Funds	<u>4,562,074</u>

Non-Major Funds

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	40,179
Restricted for Taylor Park Expenses by Donation (Source of Revenue is Donations)	<u>2,842</u>
Total Non-Major Funds	<u>43,021</u>
Total Restricted Fund Balances	\$ <u>4,605,095</u>

The fund balances in the following fund is committed as follows:

Major Funds

Committed for TIF Debt Service by the Voters	\$ <u>2,500,000</u>
Total Committed Fund Balances	\$ <u>2,500,000</u>

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

Major Funds

General Fund:

Assigned for Downtown Redevelopment (JLD Proceeds)	\$ 427,290
Assigned for Stormwater Permitting (Lemnah Proceeds)	62,849
Assigned for City Hall Window Replacement Program	15,893

CITY OF ST. ALBANS, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2014

General Fund: (Cont'd)	
Assigned for Tennis Court Rehabilitation	\$ 5,000
Assigned for General Parking Improvements	25,017
Assigned for Fire Department Reserves	35,474
Assigned for Public Health and Safety Ordinances	21,200
Assigned for Sidewalks	24,194
Assigned for Public Works Reserves	36,330
Assigned for Record Preservation	69,704
Assigned for Reappraisal	66,493
Assigned for Police Department Expenses	15,451
Amounts Assigned in Excess of Available Fund Balance	<u>(390,569)</u>
 Total General Fund	 <u>414,326</u>
 Total Assigned Fund Balances	 <u>\$ 414,326</u>

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

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

**I. Designated Net Position**

The designated net position of the City as of June 30, 2014 consisted of the following:

Proprietary Funds:	
Designated for Water Capital	\$ 970,449
Designated for Wastewater Capital	<u>1,067,947</u>
 Total Designated Net Position	 <u>\$ 2,038,396</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 4.625% of their gross salary and the City contributes 5.125%. Employees in Plan C contribute 9.5% of their gross salary and the City contributes 6.75%. Employees in Group C are limited to police officers and firefighters. All other employees must be in Group B.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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. The net position available for benefits as well as present value of vested and non-vested plan benefits by municipality are not available.

Total payroll for the year was \$4,217,061 while covered payroll was \$3,059,914. Pension expense for this plan for the years ended June 30, 2014, 2013 and 2012 were \$181,424, \$169,923 and \$161,228, respectively.

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

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 \$11,071.

## **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 actuarially determined contribution to the system for 2014 was \$313,756 which was computed through an actuarial valuation performed as of June 30, 2014.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

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:

Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	Market Value
Remaining Amortization Period: Initial Unfunded	0 Years
Investment Rate of Return	6.23%
Salary increases	5%
COLA Adjustment	None

There are 27 active members and 53 retirees and beneficiaries. Additionally, there are 7 former employees with vested rights.

The market value of plan assets maintained at Prudential Investments is \$3,944,851 as of June 30, 2014.

### Benefits

#### Normal Retirement Benefits

The yearly amount of pension a City employee will receive is equal to the sum of (a) and (b), but not greater than (c):

- (a) the sum of 3/4% of 1990 Annual Base Earnings multiplied by years of Participation Service completed prior to January 1, 1991;
- (b) for each Plan Year after January 1, 1991 and before July 1, 1995, the yearly amount of future service pension is equal to 3/4% of the rate of Annual Base Earnings. For each Plan Year after July 1, 1995 and before July 1, 1997, the yearly amount of future service pension is equal to 1 1/4% of the rate of Annual Base Earnings. After July 1, 1997, the yearly amount of future service pension is equal to 1 1/2% of the rate of Annual Base Earnings.
  - (i) Effective July 1, 2001, the yearly amount of future service pension is equal to 1 1/2% of the rate of Annual Base Earnings for those participants electing on July 1, 2001 to make required employee contributions of 2.5% of Annual Base Earnings.
  - (ii) Effective July 1, 2001, the yearly amount of future service pension is equal to 3% of the rate of Annual Base Earnings for those participants electing July 1, 2001 to make required employee contributions of 7.5% of Annual Base Earnings.
- (c) Effective July 1, 2001, the maximum amount was removed for all participants.
- (d) Benefits and refunds of the post employment defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

Form of Payment

The normal form of pension is a life annuity with monthly payments commencing on the member's retirement date and guaranteed for a 10 year period and thereafter during the member's lifetime.

Late Retirement

A member may elect a late retirement date on the first day of any calendar month before age 70. The pension will be the greater of the accrued benefit earned on the Late Retirement Date or the benefit earned at the Normal Retirement Date actuarially increased to the Late Retirement Date.

Termination Benefit

Before having 10 years of Continuous Service and before age 55, a member receives a return of contributions (required and voluntary) with interest. After 10 years, a member is 100% vested in the accrued benefit.

Death Benefit

Before the member is vested, the beneficiary receives the contributions (required and voluntary) with interest. After the member is vested, the beneficiary is entitled to a monthly benefit or 50% of the amount the member would have received if retirement is assumed on the day before death with an election of the option to provide a 50% continuation to the beneficiary commencing at early retirement age or date of death, whichever is later. If the member's death occurs after actual retirement, the beneficiary receives whatever is payable under the normal form or the option elected.

Disability Benefit

If a member who has completed at least 10 years of Continuous Service becomes totally and permanently disabled for a period of 26 weeks, they shall receive a monthly disability benefit equal to the accrued benefit.

Optional Forms of Payment

A member may elect, in writing, to have the normal form of pension converted to an actuarially equivalent optional form. These are (a) the contingent annuitant form in which the member receives a smaller amount monthly in return for the insurance company's continuing payments to the named beneficiary in the same amount, 2/3rds of the amount, or 1/2 of the amount as designated as long as the beneficiary may live after the death of the member; (b) the life annuity form in which the member receives a larger amount monthly in return for forfeiting the guarantee of continuing payments for a full 10 years if he should die before then.

CITY OF ST. ALBANS, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2014

Investment Policy

The investment policy was approved by the City Council. The target allocation is as follows:

	<u>Target Allocation</u>
Domestic Equity	35.00%
Fixed Income	<u>65.00%</u>
Total	<u>100.00%</u>

Discount Rate

The discount rate was determined as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.00%
International Equity	7.50%
Fixed Income	2.50%
Real Estate	6.50%
Cash	<u>0.00%</u>
Real Rate of Return	<u>3.73%</u>
Inflation Assumption	2.50%
Total Nominal Return (Discount Rate)	<u>6.23%</u>

**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%
6/30/2014	312,844	200,000	63%

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**NET PENSION OBLIGATION**

	2014
Annual Required Contribution (ARC)	\$ 313,756
Interest on NPO	4,456
Adjustment to ARC	(5,368)
Annual Pension Cost (APC)	312,844
Employer Contributions Made	200,000
Increase/(Decrease) in NPO	112,844
NPO - June 30, 2013	71,529
NPO - June 30, 2014	\$ 184,373
Percentage of APC Contributed	63%

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

**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.

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.

CITY OF ST. ALBANS, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2014

**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 27, 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 2014 are as follows:

	Residential	Non-Residential
Education	1.3234	1.4493
General City	.7837	.7837
Library	.0409	.0409
Library Bond	.0077	.0077
Veteran's Exemption	.0021	.0021
Total Tax Rate per \$100 of Assessed Value	2.1578	2.2837

**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 2013 at a total cost of \$813,787, of which \$755,892 was funded through federal grants.

**F. CONTINGENT LIABILITIES**

The City is a participating member in the Northwest Vermont Solid Waste Management District. The City could be subject to a portion of the District's 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.

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.

CITY OF ST. ALBANS, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014

**G. SUBSEQUENT EVENTS**

Subsequent to year end, the City secured four (4) separate notes to finance equipment purchases. Of the four equipment purchases, the bucket truck and the recreation program vehicle were purchased during the year ended June 30, 2014 and had been budgeted for purchase with debt proceeds. During the year, the purchase was made but the debt was not issued. The first is a \$43,000 note from Peoples Trust Company to finance the purchase of the bucket truck. Interest is at 2.55% and the note will be repaid over five (5) years with monthly principal and interest payments of \$763.40. The second is a \$23,238 note from Peoples Trust Company to finance the purchase of the recreation program vehicle. Interest is at 2.55% and the note will be repaid over five (5) years with monthly principal and interest payments of \$412.56. The third is a \$20,000 note from Peoples Trust Company to finance the purchase of a line striper. Interest is at 2.55% and the note will be repaid over five (5) years with monthly principal and interest payments of \$355.39. The fourth is a \$41,204 note from Peoples Trust Company to finance the purchase of a skid steer. Interest is at 2.89% and the note will be repaid over seven (7) years with monthly principal and interest payments of \$542.41.

**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 is 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 on the incremental assessed value above the frozen baseline 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 a \$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 an additional \$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. To date, the City has issued bonds totaling \$14.5 million of the \$16 million authorized.

**I. COMMITMENTS**

During the year ended June 30, 2014, the City sold land that included deeded parking rights to 170 parking spaces in the St. Albans Parking Garage in perpetuity.

CITY OF ST. ALBANS, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Property Taxes	\$ 3,865,350	\$ 3,880,339	\$ 14,989
Payments on Prior Year Taxes	300,000	0	(300,000)
Penalty on Taxes	35,000	26,393	(8,607)
Interest on Taxes	50,000	39,007	(10,993)
State Payments/RR Taxes	8,385	8,921	536
Interest on Savings	3,500	4,163	663
Public Works Garage Lease	32,290	32,290	0
City Hall Lease	46,280	46,280	0
Barlow Street School Rents	22,200	16,963	(5,237)
PILOT	80,000	77,782	(2,218)
Insurance Reimbursements and Miscellaneous	45,000	79,994	34,994
City Clerk	106,500	102,658	(3,842)
Planning and Development	44,500	34,414	(10,086)
Assessing	23,000	23,291	291
Fire Department	76,500	66,193	(10,307)
Police, Dispatch and Animal Control	1,388,990	1,540,788	151,798
Community Justice Center	500,529	479,904	(20,625)
Public Works and Parks	130,000	320,940	190,940
Recreation Programs	384,682	384,566	(116)
	<u>7,142,706</u>	<u>7,164,886</u>	<u>22,180</u>
Total Revenue			
<b>EXPENDITURES</b>			
Administration	403,945	345,488	58,457
City Clerk	69,592	61,586	8,006
Finance	52,530	47,266	5,264
Planning and Development	278,345	282,475	(4,130)
Planning and Development Capital	50,000	34,107	15,893
County and District Functions	161,285	161,475	(190)
Audit and Audit Consultants	9,000	9,127	(127)
Assessing	51,525	46,898	4,627
Debt Service - Principal	189,974	188,759	1,215
Debt Service - Interest	27,892	26,200	1,692
Professional Services - Legal	70,000	31,462	38,538
Fire Department	452,150	396,196	55,954
Fire Department Capital	74,385	126,512	(52,127)
Police, Dispatch and Animal Control	3,161,527	3,277,723	(116,196)
Police Department Capital	96,792	64,112	32,680
Community Justice Center	490,684	479,915	10,769
Public Works, Highway, Parks	592,175	689,337	(97,162)
Public Works Capital	414,415	510,443	(96,028)
Recreation Programs	438,191	483,472	(45,281)
Recreation Capital	20,565	48,808	(28,243)
Library Bond and Expenses	37,734	75,480	(37,746)
	<u>7,142,706</u>	<u>7,386,841</u>	<u>(244,135)</u>
Total Expenditures			
Excess/(Deficiency) of Revenue Over Expenditures	\$ <u>0</u>	(221,955)	\$ <u>(221,955)</u>
Fund Balance - July 1, 2013		<u>931,535</u>	
Fund Balance - June 30, 2014		<u>\$ 709,580</u>	

## Notes:

The budget is presented on the Modified Accrual Basis of Accounting.

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 PENSION TRUST FUND  
 JUNE 30, 2014

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	3,916,318	5,625,776	(1,709,458)	70%	647,286	-264%
6/30/2014	3,944,851	6,343,614	(2,398,763)	62%	538,265	-446%

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
 AND RELATED RATIOS  
 PENSION TRUST FUND  
 JUNE 30, 2014

Total Pension Liability:	
Service Cost	\$ 54,376
Interest	372,888
Benefit Payments, Including Refunds of Member Contributions	<u>(432,133)</u>
Net Change in Total Pension Liability	(4,869)
Total Pension Liability, July 1, 2013	<u>6,348,483</u>
Total Pension Liability, June 30, 2014	<u>6,343,614</u>
Plan Fiduciary Net Position:	
Contributions - Employer	200,000
Contributions - Members	40,043
Net Investment Income	249,941
Benefit Payments, Including Refunds of Member Contributions	(432,133)
Administrative Expenses	<u>(28,753)</u>
Net Change in Fiduciary Net Position	29,098
Plan Fiduciary Net Position, July 1, 2013	<u>3,931,300</u>
Plan Fiduciary Net Position, June 30, 2014	3,960,398
Net Pension Liability, June 30, 2014	<u>\$ 2,383,216</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.43%
Covered Employee Payroll	\$ 538,265
Net Pension Liability as a Percentage of Covered Employee Payroll	442.76%

## Notes to Schedules

Benefit Changes since June 30, 2013: None

## Changes of Assumptions Since June 30, 2013:

The actuarial cost method was changed from the frozen entry age cost method to the individual entry age cost method.

The discount rate (investment return) was changed from 7.5% to 6.23%.

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 PENSION TRUST FUND  
 JUNE 30, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially Determined Contribution	\$ 312,844	\$ 224,258	\$ 187,482	\$ 118,825	\$ 201,866	\$ 213,524	\$ 159,632
Contributions in Relation to the Actuarially Determined Contribution	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>161,606</u>	<u>209,825</u>	<u>153,737</u>	<u>201,136</u>
Contribution Deficiency/(Excess)	<u>\$ 112,844</u>	<u>\$ 24,258</u>	<u>\$ (12,518)</u>	<u>\$ (42,781)</u>	<u>\$ (7,959)</u>	<u>\$ 59,787</u>	<u>\$ (41,504)</u>
Covered-Employee Payroll	\$ 538,265	\$ 647,286	\$ 714,519	\$ 571,413	\$ 571,413	\$ 628,509	\$ 1,290,469
Contributions as a Percentage of Covered-Employee Payroll	37.16%	30.90%	27.99%	28.28%	36.72%	24.46%	15.59%

Notes to the Schedule

Valuation Date: June 30, 2014

Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar Closed Method
Remaining Amortization Period	0 Years
Asset Valuation Method	Market Value
Inflation	2.5%
Salary Increases	5%
Investment Rate of Return	6.23%
Retirement Age	55
Mortality	The UP84 Mortality Table, with ages set back one year for males and set back six years for females.

GASB No. 67 required supplementary information is not available for fiscal years prior to 2008. Data for future years will be added prospectively.

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS  
PENSION TRUST FUND  
JUNE 30, 2014

2014

Annual Money-Weighted Rate of Return, Net of Investment Expense	4.98%
--	-------

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014.  
Data for future years will be added prospectively.

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue Funds	Capital Projects Fund - Federal St. Bypass Fund	Total
<b>ASSETS</b>			
Cash	\$ 43,521	\$ 0	\$ 43,521
Receivables	14,109	240,130	254,239
Due from Other Funds	9,985	0	9,985
Advances to Other Funds	50,476	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>107,346</u>	<u>0</u>	<u>107,346</u>
Total Assets	<u>\$ 225,437</u>	<u>\$ 240,130</u>	<u>\$ 465,567</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 16,837	\$ 60,358	\$ 77,195
Due to Other Funds	2,657	57,236	59,893
Advances from Other Funds	80,457	161,706	242,163
Unearned Revenue	<u>5,100</u>	<u>0</u>	<u>5,100</u>
Total Liabilities	<u>105,051</u>	<u>279,300</u>	<u>384,351</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>107,346</u>	<u>240,130</u>	<u>347,476</u>
Total Deferred Inflows of Resources	<u>107,346</u>	<u>240,130</u>	<u>347,476</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable	50,476	0	50,476
Restricted	43,021	0	43,021
Unassigned	<u>(80,457)</u>	<u>(279,300)</u>	<u>(359,757)</u>
Total Fund Balances/(Deficits)	<u>13,040</u>	<u>(279,300)</u>	<u>(266,260)</u>
Total Liabilities and Fund Balances	<u>\$ 225,437</u>	<u>\$ 240,130</u>	<u>\$ 465,567</u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Capital Projects Fund - Federal St. Bypass Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Intergovernmental	\$ 62,291	\$ 120,496	\$ 182,787
Investment Income	377	0	377
Donations	2,480	0	2,480
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	65,148	120,496	185,644
	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES</b>			
Current:			
General Government	14,324	0	14,324
Public Safety	47,359	0	47,359
Culture and Recreation	1,769	0	1,769
Community Development	23,675	0	23,675
Capital Outlay:			
Public Works	0	219,163	219,163
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	87,127	219,163	306,290
	<u>          </u>	<u>          </u>	<u>          </u>
Excess/(Deficiency) of Revenues Over Expenditures	(21,979)	(98,667)	(120,646)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,517	0	1,517
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources	1,517	0	1,517
	<u>          </u>	<u>          </u>	<u>          </u>
Net Change in Fund Balances	(20,462)	(98,667)	(119,129)
Fund Balances/(Deficit) - July 1, 2013	33,502	(180,633)	(147,131)
	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balances/(Deficit) - June 30, 2014	\$ 13,040	\$ (279,300)	\$ (266,260)
	<u>          </u>	<u>          </u>	<u>          </u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2014

	Revolving Loan Fund	OJP and Police Grants Fund	VCDP Grants Fund	Fonda/Solo Building Fund	Taylor Park Trust Fund	Reconstitution Donations Fund	Total
<b>ASSETS</b>							
Cash	\$ 40,679	\$ 0	\$ 0	\$ 0	\$ 2,842	\$ 0	\$ 43,521
Receivables	0	9,821	4,288	0	0	0	14,109
Due from Other Funds	0	4,885	0	0	0	5,100	9,985
Advances to Other Funds	50,476	0	0	0	0	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>107,346</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>107,346</u>
Total Assets	<u>\$ 198,501</u>	<u>\$ 14,706</u>	<u>\$ 4,288</u>	<u>\$ 0</u>	<u>\$ 2,842</u>	<u>\$ 5,100</u>	<u>\$ 225,437</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 0	\$ 14,706	\$ 2,131	\$ 0	\$ 0	\$ 0	\$ 16,837
Due to Other Funds	500	0	2,157	0	0	0	2,657
Advances from Other Funds	0	0	0	80,457	0	0	80,457
Unearned Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,100</u>	<u>5,100</u>
Total Liabilities	<u>500</u>	<u>14,706</u>	<u>4,288</u>	<u>80,457</u>	<u>0</u>	<u>5,100</u>	<u>105,051</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	<u>107,346</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>107,346</u>
Total Deferred Inflows of Resources	<u>107,346</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>107,346</u>
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable	50,476	0	0	0	0	0	50,476
Restricted	40,179	0	0	0	2,842	0	43,021
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>(80,457)</u>	<u>0</u>	<u>0</u>	<u>(80,457)</u>
Total Fund Balances/(Deficit)	<u>90,655</u>	<u>0</u>	<u>0</u>	<u>(80,457)</u>	<u>2,842</u>	<u>0</u>	<u>13,040</u>
Total Liabilities and Fund Balances	<u>\$ 198,501</u>	<u>\$ 14,706</u>	<u>\$ 4,288</u>	<u>\$ 0</u>	<u>\$ 2,842</u>	<u>\$ 5,100</u>	<u>\$ 225,437</u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Revolving Loan Fund	OJP and Police Grants Fund	VCDP Grants Fund	Fonda/Solo Building Fund	Taylor Park Trust Fund	Reconstitution Donations Fund	Total
<b>REVENUES</b>							
Intergovernmental	\$ 2,125	\$ 47,359	\$ 12,807	\$ 0	\$ 0	\$ 0	\$ 62,291
Investment Income	377	0	0	0	0	0	377
Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,480</u>	<u>0</u>	<u>2,480</u>
Total Revenues	<u>2,502</u>	<u>47,359</u>	<u>12,807</u>	<u>0</u>	<u>2,480</u>	<u>0</u>	<u>65,148</u>
<b>EXPENDITURES</b>							
Current:							
General Government	0	0	14,324	0	0	0	14,324
Public Safety	0	47,359	0	0	0	0	47,359
Culture and Recreation	0	0	0	0	1,769	0	1,769
Community Development	<u>23,675</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,675</u>
Total Expenditures	<u>23,675</u>	<u>47,359</u>	<u>14,324</u>	<u>0</u>	<u>1,769</u>	<u>0</u>	<u>87,127</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>(21,173)</u>	<u>0</u>	<u>(1,517)</u>	<u>0</u>	<u>711</u>	<u>0</u>	<u>(21,979)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer In	<u>0</u>	<u>0</u>	<u>1,517</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,517</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>1,517</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,517</u>
Net Change in Fund Balances	(21,173)	0	0	0	711	0	(20,462)
Fund Balances/(Deficit) - July 1, 2013	<u>111,828</u>	<u>0</u>	<u>0</u>	<u>(80,457)</u>	<u>2,131</u>	<u>0</u>	<u>33,502</u>
Fund Balances/(Deficit) - June 30, 2014	<u>\$ 90,655</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (80,457)</u>	<u>\$ 2,842</u>	<u>\$ 0</u>	<u>\$ 13,040</u>

See Accompanying Independent Auditor's Report.

TOWN OF ST. ALBANS, VERMONT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 AGENCY FUNDS  
 JUNE 30, 2014

	Tax Sale Escrow Fund	SAFF Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u>136,133</u>	\$ <u>11,500</u>	\$ <u>147,633</u>
Total Assets	\$ <u><u>136,133</u></u>	\$ <u><u>11,500</u></u>	\$ <u><u>147,633</u></u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Due to Others	\$ <u>136,133</u>	\$ <u>11,500</u>	\$ <u>147,633</u>
Total Liabilities	<u>136,133</u>	<u>11,500</u>	<u>147,633</u>
Net Position			
Total Net Position	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Net Position	\$ <u><u>136,133</u></u>	\$ <u><u>11,500</u></u>	\$ <u><u>147,633</u></u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

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				
Revolving Loan Program	66.458	RF1-170	44,618	\$ 44,618
Passed through New England Interstate Water Pollution Control Commission				
Lake Champlain Basin Program	66.481	LC-96162901-0	14,850	<u>11,164</u>
Total U.S. Environmental Protection Agency				<u>55,782</u>
<u>National Highway Traffic Safety Administration</u>				
Passed through State of Vermont Department of Public Safety				
DUI Enforcement	20.608	02140-1113-5032	9,000	860
State and Community Highway Safety	20.600	02140-1314-2049	2,500	<u>2,500</u>
Total National Highway Traffic Safety Administration				<u>3,360</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Homeland Security Grant Program	97.067	02140-71164V-12 EMW-2011-SS-00038	3,783	1,955
Homeland Security Grant Program	97.067	02140-71264V-100 EMW-2011-SS-00038	7,200	<u>3,600</u>
Total U.S. Department of Homeland Security				<u>5,555</u>
<u>U.S. Department of Agriculture</u>				
Passed through State of Vermont Agency of Forests, Parks and Recreation				
Cooperative Forestry Assistance	10.664	06130-UCF	75,000	<u>20,900</u>
Total U.S. Department of Agriculture				<u>20,900</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-IG-111-2009	125,000	<u>125,000</u>
Total U.S. Department of Housing and Urban Development				<u>125,000</u>

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, 2014

U.S. Department of Labor

Passed through State of Vermont Department of  
Public Safety

Public Safety Grant	17,261	02140-41060-012 EA-21461-11-60-A-50	2,819	\$ <u>1,877</u>
---------------------	--------	--	-------	-----------------

Total U.S. Department of Labor				<u>1,877</u>
--------------------------------	--	--	--	--------------

U.S. Department of Justice

Direct Programs

Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16,590	2010-WE-AX-0060	699,943	122,334
---	--------	-----------------	---------	---------

Bulletproof Vest Partnership Program	16,607	2009BUBX08045029	19,387	1,198
--------------------------------------	--------	------------------	--------	-------

Edward Byrne Memorial Justice Assistance Grant	16,738	2013-DJ-BX-0180	14,597	11,676
--	--------	-----------------	--------	--------

Edward Byrne Memorial Justice Assistance Grant	16,738	2010-DJ-BX-0236	76,245	61,011
--	--------	-----------------	--------	--------

Passed through State of Vermont Department of  
Public Safety

Evidence Forfeiture grant	16,922	02140-12403-1201	20,000	7,493
---------------------------	--------	------------------	--------	-------

Passed through State of Vermont  
Department of Corrections

Second Chance Act Prisoner Reentry Initiative	16,812	03520-1171	62,500	9,426
---	--------	------------	--------	-------

CJC - Truancy	16,540	03440-20388-13	50,135	<u>32,833</u>
---------------	--------	----------------	--------	---------------

Total U.S. Department of Justice				<u>245,971</u>
----------------------------------	--	--	--	----------------

U.S. Department of Transportation

Passed through State of Vermont  
Agency of Transportation

Highway Planning and Construction	20,205	08126-CA0322	300,000	22,839
-----------------------------------	--------	--------------	---------	--------

Highway Planning and Construction	20,205	08126-CA0277	355,680	122,978
-----------------------------------	--------	--------------	---------	---------

Highway Planning and Construction	20,205	EA 8000017-100; CA0194	2,213,904	175,330
-----------------------------------	--------	------------------------	-----------	---------

Highway Planning and Construction	20,205	TDG3049 Tiger 3	1,291,623	496,204
-----------------------------------	--------	-----------------	-----------	---------

Highway Planning and Construction	20,205	EH11(10)	600,000	147,666
-----------------------------------	--------	----------	---------	---------

Highway Planning and Construction	20,205	SSMG069	75,000	<u>17,084</u>
-----------------------------------	--------	---------	--------	---------------

Total U.S. Department of Transportation				<u>982,101</u>
---	--	--	--	----------------

Total				\$ <u><u>1,440,546</u></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.

# Sullivan,Powers & Co.,P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
[VT Lic. #92-000180](#)

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, 2014 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 January 29, 2015.

### ***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**

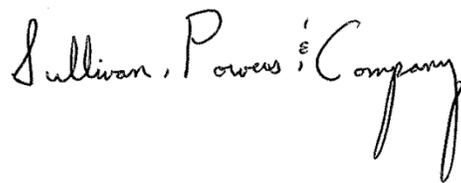
As part of obtaining reasonable assurance about whether the City of St. Albans, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 January 29, 2015.

### **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.

January 29, 2015  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

# Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
[VT Lic. #92-000180](#)

## 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, 2014. 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, 2014.

**Report on Internal Control Over Compliance**

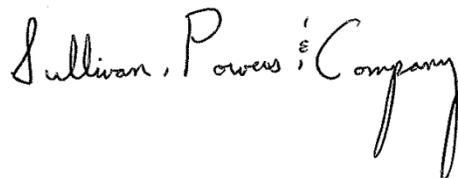
Management of the City of St. Albans, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of St. Albans, Vermont's 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.

January 29, 2015  
Montpelier, Vermont  
VT Lic. #92-000180



CITY OF ST. ALBANS, VERMONT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2014

There were no prior year audit findings noted.

CITY OF ST. ALBANS, VERMONT  
SCHEDULE OF FINDINGS AND  
DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:  
Unmodified.

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:  
Unmodified.

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 qualify as a low risk auditee.