

CITY OF ST. ALBANS, VERMONT

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

JUNE 30, 2015

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AUDIT REPORT
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Independent Auditor's Report

Honorable City Council
City of St. Albans
P.O. Box 867
100 North Main Street
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, 2015 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, 2015 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.

Change in Accounting Principle

As described in Note I.F. to the financial statements, effective June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" – an amendment of GASB Statement No. 27. As a result of this required change in accounting principle, the City recorded a \$1,679,551 reduction in beginning net position of the Governmental Activities, a \$853,255 reduction in beginning net position of the Business-type Activities, a \$367,047 reduction in beginning net position of the Water Fund and a \$486,208 reduction in beginning net position of the Wastewater Fund. Our opinion is not modified with respect to this matter.

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 19 and the budgetary comparison information for the General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions and Investment Returns for the Pension Trust Fund and the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions for the City's participation in VMERS 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

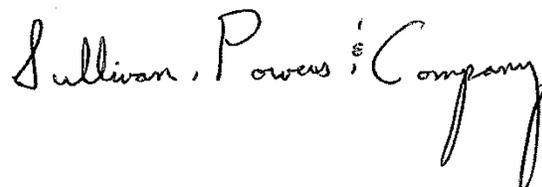
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Albans, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the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

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



CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. Please note that this section of the Basic Financial Statements is unaudited.

FINANCIAL HIGHLIGHTS

- Beginning equity amounts in the government-wide financial statements and the proprietary fund financial statements have been restated as a result of implementing GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” – an amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the City’s participation in VMERS and the entire net pension liability for the City’s single-employer pension plan. Beginning equity amounts have been restated to reflect the impact this would have had on the prior year. All comparisons are made between restated prior year numbers and current year actuals.
- The City’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,612,337 (net position). Of this amount, \$810,088 (unrestricted net position) may be used to meet the City’s ongoing obligations. The balance of net position is made up of \$21,632,417 invested in capital assets net of related debt and \$169,832 restricted for specific purposes.
- The City’s total net position increased by \$1,145,010 (5.3%). Of this amount, net position of the governmental activities increased by \$800,811 (12.1%), and net position attributable to business-type activities increased by \$344,199 (2.3%).
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$3,567,371. This is a decrease of \$3,758,151 from the prior year’s combined ending fund balance of \$7,325,522. During the prior year the City issued \$14,500,000 in tax increment financing (TIF) bonds, some of which were used for TIF projects with the remainder reflected in restricted fund balance. Restricted fund balance decreases as these funds are spent on TIF projects.
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$374,308, or approximately 4.9% of total general fund expenditures.
- The City’s total outstanding long-term debt decreased by \$350,181 during the current fiscal year. Additions to long-term debt totaled \$887,698 offset by principal payments of \$1,237,879.
- Construction in progress decreased by \$9,567,055 of which, \$12,856,422 was capitalized when the parking garage was placed in service at the end of October 2014.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, the two differ significantly. The government-wide financial statements will be the most familiar for readers versed in private sector financial reporting. 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.

Government-Wide Financial Statements

The government-wide financial statements provide a general overview of the City's operations 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, governmental activities are presented separately from business-type activities. The governmental activities reflect the City's basic services; including general government, public safety, public works, community development, parks and recreation, 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, deferred outflows of resources, liabilities, and deferred inflows 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 time).

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 current year, the City was not responsible for any entities that qualify as component units.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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. Unlike the government-wide financial statements however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine the level of financial resources that are available to finance the City's programs in the near future. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship between the two.

The City maintains four major governmental funds; the General Fund, the TIF Capital Projects Fund, the TIF Debt Service Fund, and the Streetscape Capital Project Fund. In addition to this, the City maintains five special revenue funds and two capital project funds, none of which qualify as major funds. These funds are consolidated into the column labeled Other Governmental Funds in the Fund Financial Statements. Combining financial statements containing more detailed information on these funds may be found in Schedules 6 through 11.

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 at the fund level. 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 information for the Water Fund and the Wastewater Fund separately.

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

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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 a Pension Trust Fund, detailed in Exhibits I and J. The City has three Agency Funds with consolidated amounts detailed in Exhibit I and additional information on these funds may be found in Schedule 12.

Notes to the Financial Statements provide additional information that is necessary to obtain 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. 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, information on changes in the net pension liability, employer contributions to pensions, and investment returns. The supplementary information can be found immediately following the notes to the financial statements in this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Assets:						
Cash and Investments	\$ 4,744,867	\$ 10,842,430	\$ 2,556,830	\$ 1,195,402	\$ 7,301,697	\$ 12,037,832
Other Assets	137,073	(850,797)	2,549,718	2,933,240	2,686,791	2,082,443
Capital Assets	21,076,347	16,731,048	20,371,673	20,952,640	41,448,020	37,683,688
Total Assets	25,958,287	26,722,681	25,478,221	25,081,282	51,436,508	51,803,963
Deferred Outflows of Resources	348,763	145,139	134,340	36,283	483,103	181,422
Liabilities:						
Other Liabilities	749,182	2,022,853	241,644	346,707	990,826	2,369,560
Noncurrent Liabilities	17,711,393	18,212,235	10,031,231	9,907,161	27,742,624	28,119,396
Total Liabilities	18,460,575	20,235,088	10,272,875	10,253,868	28,733,450	30,488,956
Deferred Inflows of Resources	442,034	29,102	131,790	0	573,824	29,102
Net Position:						
Net Investment in Capital Assets	10,198,477	8,540,627	11,433,940	12,100,228	21,632,417	20,640,855
Restricted	169,832	207,167	0	0	169,832	207,167
Unrestricted/(Deficit)	(2,963,868)	(2,144,164)	3,773,956	2,763,469	810,088	619,305
Total Net Position	\$ 7,404,441	\$ 6,603,630	\$ 15,207,896	\$ 14,863,697	\$ 22,612,337	\$ 21,467,327

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,612,337. The City's total net position is split between governmental activities net position of \$7,404,441 and business-type activities net position of \$15,207,896.

The largest portion of the City's total net position \$21,632,417 (95.67%) 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 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. On an ongoing basis, the City strives to work reserves into the annual budget to provide for financial contingencies and reserves for a long-term capital plan.

The City's total net position includes \$169,832 (0.75%) of restricted net position. Restricted net position represents assets whose use is subject to external restrictions. The remaining balance of \$810,088 (3.58%) is unrestricted net position, which may be used to meet the government's ongoing financial obligations. Included in unrestricted net position are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

Summary of the Statement of Activities

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,023,142	\$ 2,056,144	\$ 5,211,993	\$ 5,518,684	\$ 7,235,135	\$ 7,574,828
Operating Grants & Contributions	1,060,125	861,861	12,287	0	1,072,412	861,861
Capital Grants & Contributions	1,414,679	885,807	0	251,537	1,414,679	1,137,344
General Revenues:						
Property Taxes	4,534,809	3,953,716	0	0	4,534,809	3,953,716
Other	201,951	2,428,651	85,803	312,244	287,754	2,740,895
Total Revenues	9,234,706	10,186,179	5,310,083	6,082,465	14,544,789	16,268,644
Expenses:						
General Government	1,410,424	752,052	0	0	1,410,424	752,052
Public Safety	4,309,467	4,535,681	0	0	4,309,467	4,535,681
Public Works	1,044,000	815,624	0	0	1,044,000	815,624
Culture and Recreation	604,679	600,304	0	0	604,679	600,304
Community Development	554,978	762,129	0	0	554,978	762,129
Interest on Long-Term Debt	517,014	337,282	0	0	517,014	337,282
Water	0	0	2,128,265	1,895,517	2,128,265	1,895,517
Wastewater	0	0	2,830,952	2,623,091	2,830,952	2,623,091
Total Expenses	8,440,562	7,803,072	4,959,217	4,518,608	13,399,779	12,321,680
Increase (Decrease) in Net Position						
Before Transfers	794,144	2,383,107	350,866	1,563,857	1,145,010	3,946,964
Transfers	6,667	306,946	(6,667)	(306,946)	0	0
Increase (Decrease) in Net Position	800,811	2,690,053	344,199	1,256,911	1,145,010	3,946,964
Beginning Net Position	6,603,630	5,593,128	14,863,697	14,460,041	21,467,327	20,053,169
Less: GASB 68 Adjustment	0	(1,679,551)	0	(853,255)	0	(2,532,806)
Ending Net Position	\$ 7,404,441	\$ 6,603,630	\$ 15,207,896	\$ 14,863,697	\$ 22,612,337	\$ 21,467,327

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

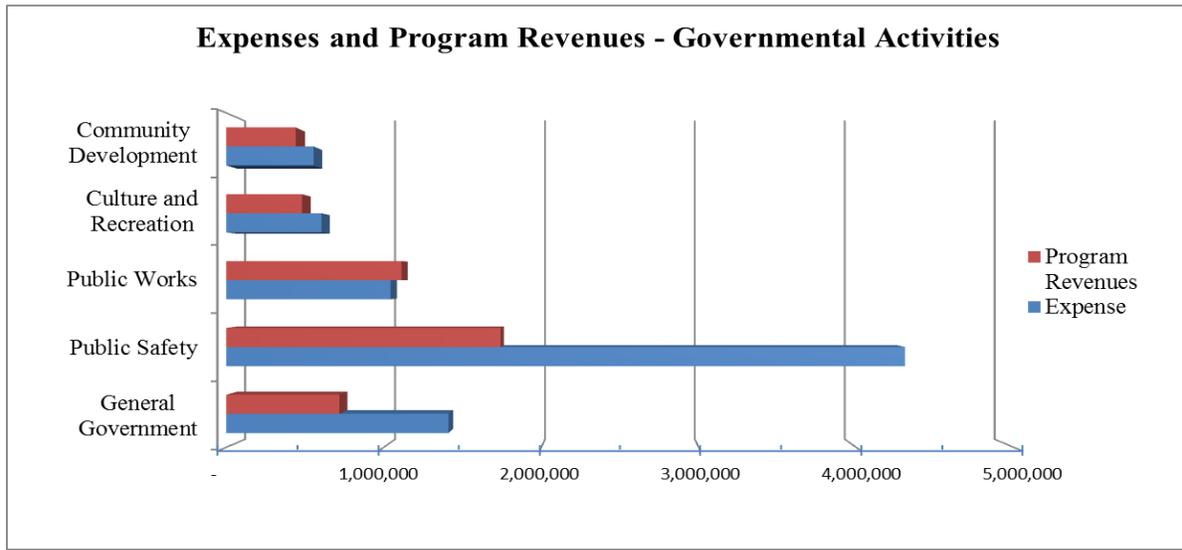
Governmental Activities

Governmental activities increased the City's net position by \$800,811 for the year ended June 30, 2015. Key elements of the change are as follows.

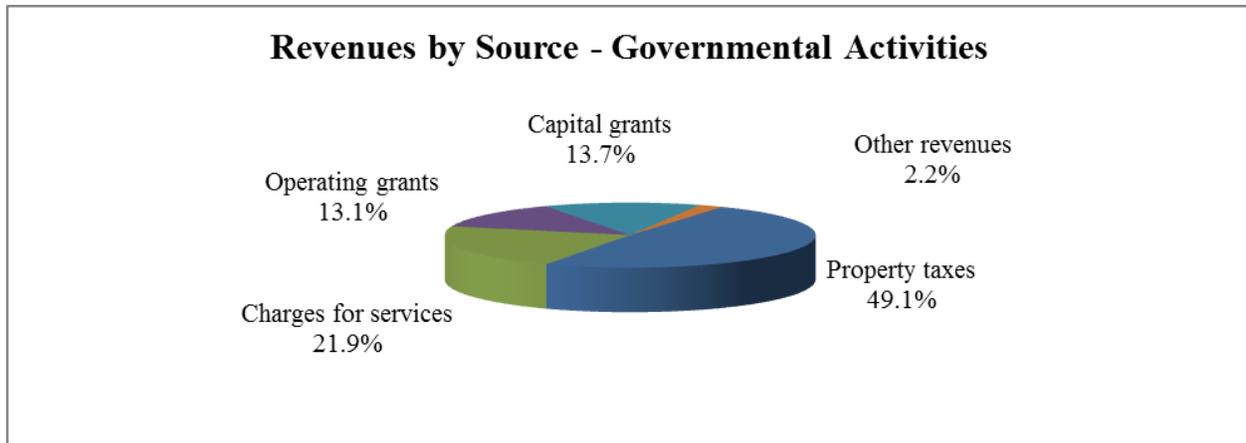
- Total governmental activities' revenues decreased by 9.3% (\$951,473) from 2014 to 2015. During 2014 the City reported onetime revenue equal to \$2,500,000 from the sale of property and deeded parking rights. This is shown in Other Revenues for 2014, a category which decreased dramatically from year to year.
- Operating Grants and Contributions increased by \$198,264 (23%) driven by an increase in Community Justice Center operating grants of \$43,414 and an increase in Public Safety operating grants of \$163,733.
- Capital Grants and Contributions increased by \$528,872 (59.7%) which is primarily a result of a \$350,000 community development pass-through grant and a \$147,100 paving grant from the State of Vermont.
- Property tax revenues increased 14.7% or \$581,093 from the previous year as a result of growth in the grand list, much of which occurred within the TIF district and a slight increase in the tax rate from \$0.8344 to \$0.8557, per \$100 of assessed value.
- Total governmental activities' expenses increased by 8.2% (\$637,490) from 2014 to 2015. Public safety expenses end the year at 51.1% (\$4,309,467) of total governmental activities' expenses. Public safety remains the largest category of expenses from year to year.
- Public works expenses increased 28% or \$228,376 from the previous year. Of this amount, \$147,100 was spent on additional paving offset by a previously mentioned paving grant.
- Community development expenses decreased 27.2% or \$207,151 from the previous year. Expenses related to TIF capital projects are included in this category and have tapered off from the prior year.
- Lastly, interest on long-term debt increased by \$179,732 or 53% as 2015 was the first full year of interest on the TIF bonds.

The following 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 including user fees, operating grants, and capital grants. General revenues such as property tax 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.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**



The majority of revenue for governmental activities comes from property taxes; 49.1% of total revenue or \$4,534,809. The second largest category of revenue is charges for services coming in at 21.9% or \$2,023,142 of total revenue. This is a change from the previous year when other revenue claimed the number two spot as a result of the onetime sale of property and parking rights for \$2,500,000. The following graph shows the distribution of governmental activities revenues by source for the year ended June 30, 2015.



Business-type Activities

Business-type activities increased the City's net position by \$344,199 (2.32%) during the current fiscal year. Key elements of this increase are as follows.

- Total revenues of \$5,310,083 were \$772,382 or 12.7% lower than the previous year. Driving this decrease is a reduction of \$477,978 in capital grants and contributions and other revenues which were inflated in the prior year as a result of allocating part of the Streetscape project to the business-type activities for improvements to the water and wastewater underground infrastructure.

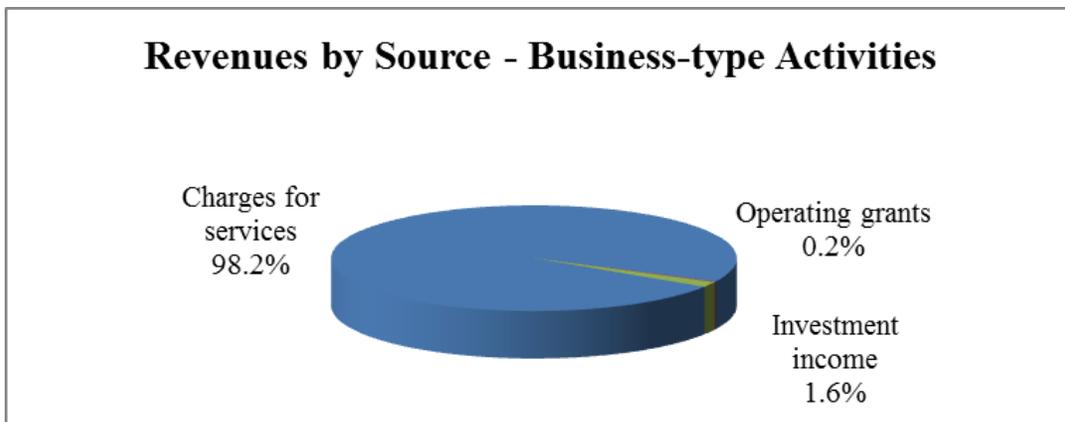
CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

- Charges for services decreased by \$306,691 or 5.6% from \$5,518,684 to \$5,211,993. On the government-wide financial statements charges for services in the business-type activities are made up primarily of user fees and allocation fees. The decrease from the previous year reflects an increase in user fees of \$203,592 from the previous year offset by a decrease in allocation fees of \$513,961. Allocation fees are paid when a new water and/or wastewater connection is established and are therefore directly related to development activity in the water and wastewater district. The large decrease in allocation fee revenue from the prior year is a result of one large development joining the system in the previous year. This revenue source typically fluctuates from year to year, however, all revenue from allocation fees is designated as reserved for future capital needs and therefore the fluctuations do not have a negative impact on the City's ability to budget and set rates so that operating costs are covered.
- Total expenses of \$4,959,217 reflect an increase of \$440,609 (9.8%) as compared to the prior year. The driving factors contributing to the increase are as follows.
 - Salaries and benefits increased \$220,265 from the previous year. This category includes benefits such as insurance and retirement contributions. The increase is driven by routine wage adjustments, increases in the cost of health insurance, and increases in the required contributions to the retirement plans.
 - Other purchased services increased \$110,593 from the previous year. Contributing to this increase are expenses for a project in the water fund that had previously been included in construction in progress (\$55,702) and an increase in other professional services utilized at the water plants for diving services (\$10,300). In the wastewater fund the amount paid for sludge removal increased about \$35,000. The City is participating in a Phosphorous Removal Pilot Testing Program which is funded 100% by a grant from the State of Vermont Agency of Natural Resources Department of Environmental Conservation. As part of this program, the wastewater fund incurred an additional \$12,287 in other purchases services that were offset by grant revenues.
 - Repairs and maintenance costs increased \$43,144 from the previous year. During the current year the water plants incurred \$10,700 in repairs and maintenance costs for small variable frequency drives and a valve actuator which did not qualify to be capitalized. The balance of the increase in this category is attributable to the water distribution system which experienced an unusual number of water main breaks, frozen pipes, frozen meters, and meter replacements during a brutally cold winter.
 - Depreciation expense increased \$76,879 from the previous year with a \$41,398 increase in the water fund and a \$35,481 increase in the wastewater fund. During the previous year the south reservoir dam project at the Fairfax water treatment facility was capitalized in the water fund, only a partial year of depreciation was recorded. The current year reflects a full year of depreciation for that project.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

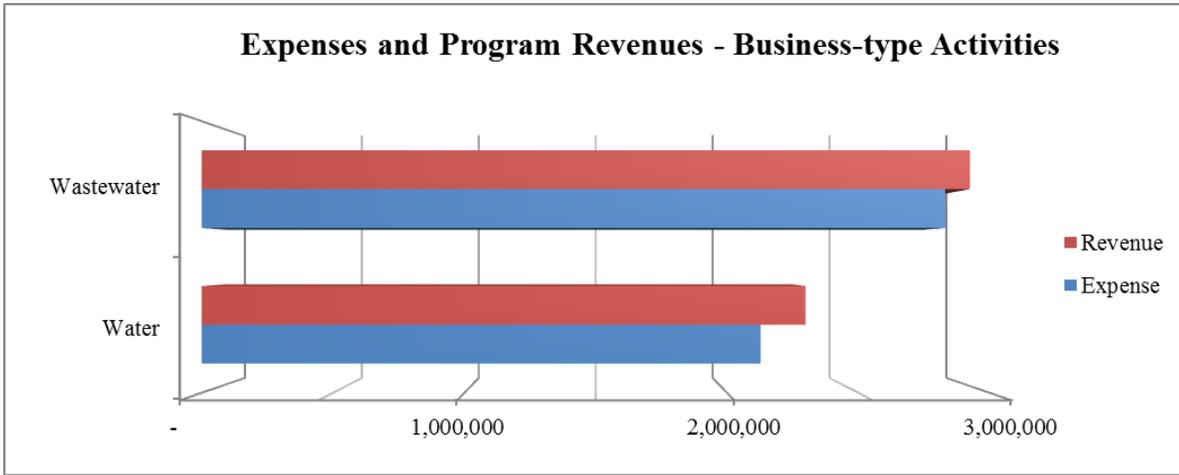
- The preceding increases were offset by a decrease in the cost of utilities at the water and wastewater facilities of \$86,760. The majority of this decrease (\$70,514) is reflected in the water fund. During the previous year, the Fairfax water facility was shut down for work on the south reservoir dam. As a result the Maquam Shore water facility was required to produce additional capacity to meet demand. Treated water from the Maquam Shore water facility has to be pumped up to the City which results in increased electricity costs. Water from the Fairfax water facility is gravity fed into the system.

The City’s business-type activities are supported by user fees and allocation fees, also referred to as charges for services (\$5,211,993) with assistance from operating grants (\$12,287) and investment income (\$85,803). The percentage breakdown of revenue sources is illustrated in the following graph titled Revenues by Source – Business-type Activities.



As the name suggests, business-type activities are accounted for in the same manner that businesses would account for operations. Therefore, 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. Operating revenues exceeded operating expenses in the water fund by \$338,291 or 14.8% of total operating revenues. In the wastewater fund, operating revenues exceeded operating expenses by \$173,169 or 5.9% of total operating revenues. After factoring in nonoperating revenues, nonoperating expense, and transfers the water and wastewaters funds reported an increase in net position of \$202,372 and \$141,827, respectively. 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 projects and debt service.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

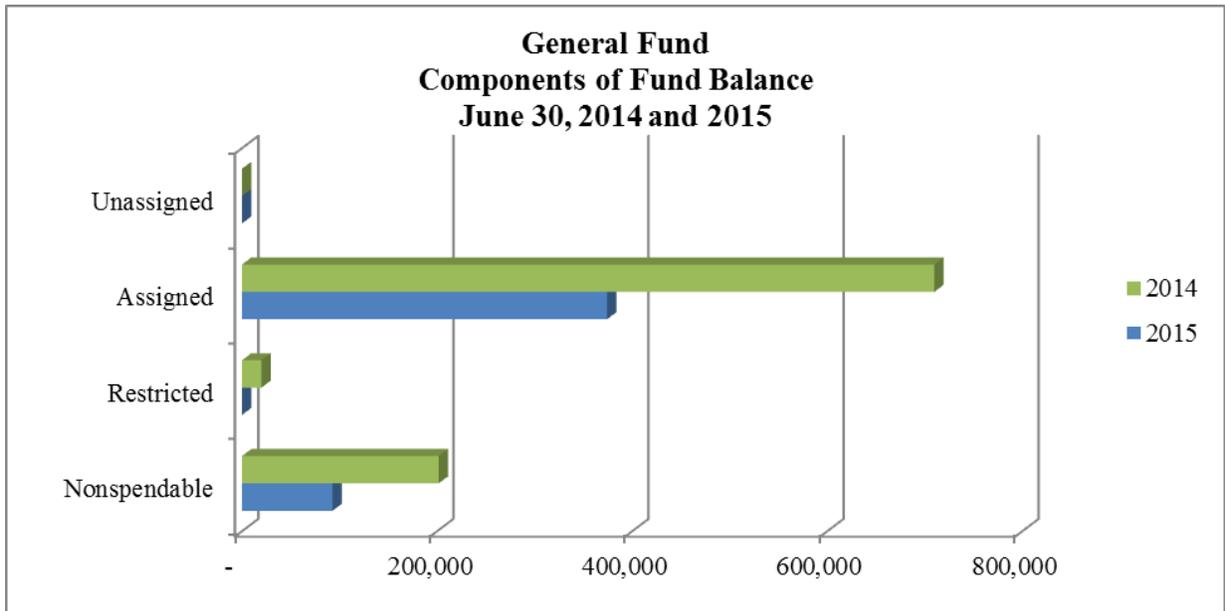
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Information presented and discussed in this section is specific to the fund financial statements.

Governmental Funds

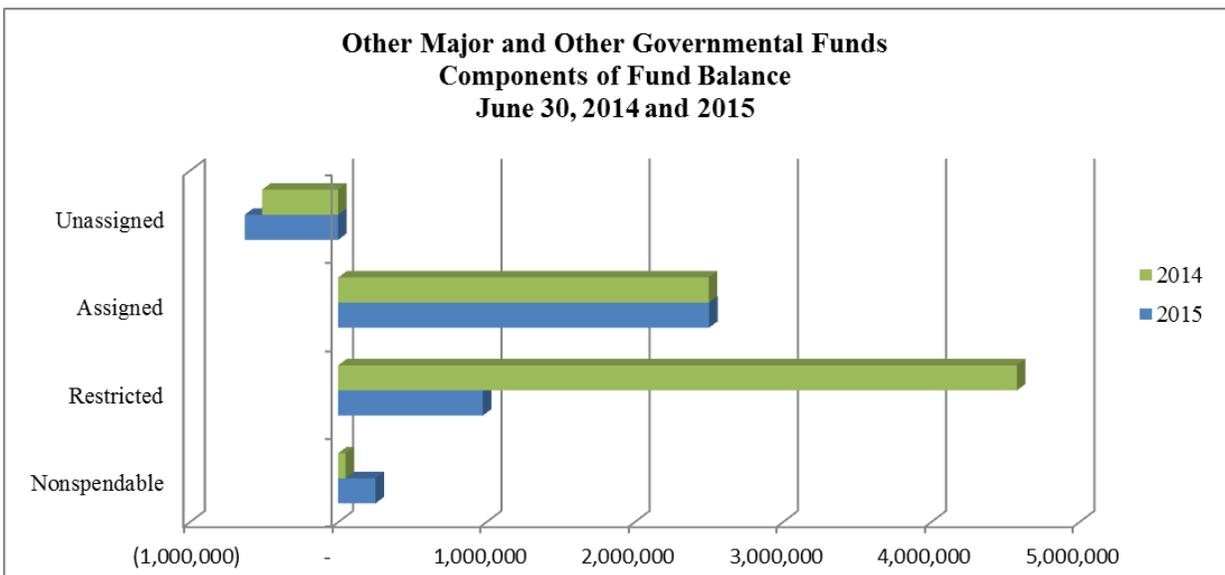
The focus of the City's governmental funds is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's 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 \$3,567,371, a decrease of \$3,758,151 over the prior year. Of this total amount, \$344,940 is non-spendable (advances to other funds, prepaid items and inventories) and \$976,318 is restricted, which indicates it is not available for discretionary spending, as it is otherwise restricted by grant agreements, statutes, or debt covenants. Of the remaining amount, \$2,876,502 has been assigned by the City for various purposes (detailed in Footnote IV.J. Net Position/Fund Balances) and unassigned fund balance is a deficit of \$630,389. The deficit unassigned fund balance is made up of a deficit in the Streetscape fund which is caused by timing of grant proceeds, a deficit in the Federal Street fund that will be funded once the Federal Street TIF project is activated, and a deficit in the City Hall Renovation fund which will be funded by debt proceeds.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**



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 \$467,166, a decrease of \$242,414 from the previous year. Of this amount, \$92,858 is non-spendable. The remaining \$374,308 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 6.1% of total general fund expenditures, however, this amount includes nonspendable 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 4.8% of total general fund expenditures.



**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

In the governmental funds other than the general fund the most noteworthy change to fund balance is a decrease in restricted fund balance of \$3,602,453 which reflects the utilization of TIF bond proceeds to fund TIF capital projects. The TIF bonds were issued in the prior year and the unspent portion resides in restricted fund balance until spent.

General Fund Budgetary Highlights

The City's budget for the year ended June 30, 2015 passed on the first vote in March of 2014 and there were no amendments made to the budget during the year. Actual revenues exceeded budgeted revenues by \$195,910 and actual expenditures exceeded budgeted expenditures by \$438,324, resulting in a deficiency of revenue over expenditures of \$242,414.

Contributing to the overage in expenditures is an overage in public works capital of \$171,414. Of this, \$147,100 was for additional paving which was offset 100% by unbudgeted grant revenues in public works. Expenditures for parks include \$113,398 for fountain restoration, of which \$78,345 is offset by unbudgeted donation revenues and the balance of the project will be funded by additional donations and debt proceeds. Planning and development operating and capital expenditures exceeded budget by \$54,051. Of this, holiday decorations were \$16,055 over budget, \$18,366 was spent out of prior year reserves for the City Hall Window Project, and an unbudgeted \$16,200 was transferred to match grants recorded in other governmental funds. Operating costs associated with the parking garage were not budgeted and the actual amount was \$37,859, contributing to actual expenditures exceeding budgeted expenditures. On a monthly basis the City invoices the Library for costs incurred on its behalf. These items are not included in the City's budget but are reflected on the expense side and offset 100% in revenues.

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 was offset by property tax revenue for the year exceeding the budgeted amount by \$113,964 as a result in growth in the grand list. Additionally, the unbudgeted grant revenue for paving in the public works department of \$147,100 and unbudgeted donations of \$78,345 for the fountain restoration project, mentioned previously, contributed to overall revenues exceeding total budgeted revenues. During the year the City opened a new parking garage which produced revenue of \$61,948 none of which was budgeted. Fire department and recreation department revenues are both over budget as a result of debt proceeds received in the current year that related to purchases in the previous year.

Other Major Governmental Funds

The City reports two major funds worth noting in this analysis – the TIF Debt Service fund and the TIF Capital Projects fund. The TIF Debt Service fund was new for the year ended June 30, 2014 and is used to account for debt service on voter approved TIF bonds. The debt service fund made \$1,056,245 in debt principal and 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. The fund balance in this fund increased from \$2,500,000 to \$2,502,194. During the prior year, the City received \$2,500,000 as a result of the sale of property and parking rights to a third party, these funds are assigned for TIF purposes and are segregated in the TIF Debt Service fund as a safeguard. These funds earned \$2,194 in interest during the year which is reflected in the increase in fund balance.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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. Fund balance decreased by \$3,571,404 from the prior year, reflecting the use of restricted debt proceeds used to fund projects during the year. The parking garage project was substantially complete and placed in service during the year. Debt proceeds of \$2,949,276 and other revenues of \$23,675 were used to fund the parking garage project. General TIF costs of \$37,716 and transfers to the TIF Debt Service fund of \$584,412 also utilized debt proceeds.

Proprietary Funds

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

Total net position in the water fund is \$3,815,359, an increase of 5.6% from the previous year. Half of the water fund's net position is invested in capital assets net of related debt; 51.8% or \$1,976,539. In the wastewater fund, total net position is \$11,392,537, an increase of 1.3% from the previous year. The vast majority of net position in the wastewater fund is invested in capital assets net of related debt; 83% or \$9,457,401. Other major factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2015 were \$59,593,683 (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 \$5,324,667 from June 30, 2014 to June 30, 2015, or 9.8%. Combined accumulated depreciation at the end of the year is \$18,145,663. Capital assets for governmental activities increased by \$4,345,299, net of accumulated depreciation. Capital assets for business-type activities decreased by \$580,967, net of accumulated depreciation. During the year the City completed construction of a parking garage and placed it in service driving the decrease in construction in progress and the increase in infrastructure in the governmental activities.

Summary of Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	2015	2014	2015	2014	2015	2014
Capital Assets:						
Land	\$ 776,095	\$ 908,932	\$ 197,000	\$ 202,012	\$ 973,095	\$ 1,110,944
Construction in Progress	2,643,357	11,010,988	463,888	1,663,312	3,107,245	12,674,300
Buildings and Improvements	1,557,076	1,534,539	31,803,464	30,389,064	33,360,540	31,923,603
Machinery and Equipment	3,516,441	3,418,834	2,952,922	2,745,816	6,469,363	6,164,650
Infrastructure	15,683,440	2,395,519	0	0	15,683,440	2,395,519
	<u>24,176,409</u>	<u>19,268,812</u>	<u>35,417,274</u>	<u>35,000,204</u>	<u>59,593,683</u>	<u>54,269,016</u>
Less: Accumulated Depreciation	(3,100,062)	(2,537,764)	(15,045,601)	(14,047,564)	(18,145,663)	(16,585,328)
Total Assets, Net	<u>\$ 21,076,347</u>	<u>\$ 16,731,048</u>	<u>\$ 20,371,673</u>	<u>\$ 20,952,640</u>	<u>\$ 41,448,020</u>	<u>\$ 37,683,688</u>

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Major capital asset activity for the year ended June 30, 2015 included the following:

- The completion and opening of a 365 space parking garage in the downtown core moved a total of \$10,197,564 from construction in progress to infrastructure in governmental activities.
- The completion of the Main Street Streetscape project moved a total of \$4,020,813 from construction in progress to infrastructure. Of this, \$2,639,100 is reflected in the governmental activities and \$1,381,713 is reflected in the business-type activities.
- In the business-type activities, \$251,846 was added to construction in progress for phase two of the Wastewater Treatment Facility upgrade.
- Additions to construction in progress in the governmental activities include \$453,212 for the City Hall Renovation project; \$532,655 for the Federal Street project; \$113,971 for restoration of the Taylor Park Fountain; and \$314,971 for the Hudson to Hoyt Streetscape project.
- Paving projects totaling \$370,512 and major sidewalk projects totaling \$80,746 were completed during the year contributing to the increase in governmental activities infrastructure.
- Other major purchases include a backhoe, a skid steer, a line striper, five vehicles, a handheld meter reader, and computer system upgrades.

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 \$24,703,862 in long-term debt outstanding. As of June 30, 2015 this amount had decreased by \$350,181 or 1.4% to end the current year with \$24,353,681 in long-term debt outstanding.

Summary of Long Term Debt

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Governmental Activities	\$ 15,851,450	\$ 444,479	\$ 879,981	\$ 15,415,948
Business-type Activities	8,852,412	443,219	357,898	8,937,733
Total Government	<u>\$ 24,703,862</u>	<u>\$ 887,698</u>	<u>\$ 1,237,879</u>	<u>\$ 24,353,681</u>

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Factors contributing to the change include the following:

- The City's governmental activities debt increased with the issuance of a bond anticipation note for the City Hall Renovation Project authorized up to \$2,300,000. As of June 30, 2015, \$350,000 had been drawn and is reflected in the additions column. Other new debt in the governmental activities includes \$43,000 for the purchase of a bucket truck; \$23,238 for the purchase of a recreation vehicle; \$20,000 for the purchase of a line striper; and \$8,241 for 20% of the cost of a skid steer.
- New debt for the business-type activities includes \$32,964 for 80% of the cost of a skid steer and an additional \$410,255 in State of Vermont Special Environmental Revolving Loans for the second phase of the Wastewater Treatment Facility upgrade.
- Debt retired during the year in governmental activities included a bond for Library Improvements, a bond to retire deficits in the general fund, a note to fund a portion of the Federal Street project grant match, and a note to purchase the Little League fields.
- Principal payments totaling \$879,981 were made on governmental activities debt and principal payments totaling \$357,898 were made on business-type activities debt.

Additional information about long-term debt can be found in Footnote IV.I. 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.

The City has partnered with PeakCM to construct an 84-room, nationally-franchised hotel on Lake Street in the heart of the St. Albans Downton. The Lake Street Hotel is the final piece of the City's downtown core project, which also included the construction of the new State Office Building which opened on January 12, 2015 and a City owned parking garage which opened to the public on October 30, 2014. All three of these projects are paramount to the City's TIF plan.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

In a special election in September 2015, voters approved the issuance of bonds or notes in an amount not to exceed \$2.5 million for the purpose of reconstructing Fairfield Street, including sidewalks, curbs, and paving, as well as water, wastewater and stormwater infrastructure. Preliminary work on the Fairfield Street project began fall 2015. Voters approved bonds or notes in an amount not to exceed \$1,225,000 for the purpose of reconstructing sidewalks and curbs on Lake and Main Streets. And voters approved bonds or notes in an amount not to exceed \$700,000 for the purpose of reconstructing the treatment filter at the Fairfax Reservoir. Work on the sidewalks and curbs on Lake and Main Streets and the treatment filter at the Fairfax Reservoir is expected to begin spring 2016.

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.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,744,867	\$ 2,556,830	\$ 7,301,697
Receivables (Net of Allowance for Uncollectibles)	973,161	1,288,518	2,261,679
Loans Receivable	107,385	0	107,385
Notes Receivable	0	68,143	68,143
Prepaid Expenses	6,483	0	6,483
Inventory	207,062	36,039	243,101
Internal Balances	(1,157,018)	1,157,018	0
Capital Assets			
Land	776,095	197,000	973,095
Construction in Progress	2,643,357	463,888	3,107,245
Other Capital Assets, (Net of Accumulated Depreciation)	17,656,895	19,710,785	37,367,680
Total Assets	<u>25,958,287</u>	<u>25,478,221</u>	<u>51,436,508</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to the City's Pension Plan and Participation in VMERS	<u>348,763</u>	<u>134,340</u>	<u>483,103</u>
Total Deferred Outflows of Resources	<u>348,763</u>	<u>134,340</u>	<u>483,103</u>
LIABILITIES			
Accounts Payable	504,221	135,813	640,034
Accrued Payroll and Benefits Payable	87,347	24,018	111,365
Unearned Revenue	93,208	8,411	101,619
Accrued Interest Payable	64,406	73,402	137,808
Noncurrent Liabilities:			
Due within One Year	1,048,459	485,026	1,533,485
Due in More than One Year	16,662,934	9,546,205	26,209,139
Total Liabilities	<u>18,460,575</u>	<u>10,272,875</u>	<u>28,733,450</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid Property Taxes	18,954	0	18,954
Deferred Inflows of Resources Related to the City's Pension Plan and Participation in VMERS	<u>423,080</u>	<u>131,790</u>	<u>554,870</u>
Total Deferred Inflows of Resources	<u>442,034</u>	<u>131,790</u>	<u>573,824</u>
NET POSITION			
Net Investment in Capital Assets Restricted	10,198,477	11,433,940	21,632,417
Community Development	164,701	0	164,701
Taylor Park	5,131	0	5,131
Unrestricted/(Deficit)	<u>(2,963,868)</u>	<u>3,773,956</u>	<u>810,088</u>
Total Net Position	<u>\$ 7,404,441</u>	<u>\$ 15,207,896</u>	<u>\$ 22,612,337</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, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 1,410,424	\$ 139,525	\$ 579,652	\$ 0	\$ (691,247)	\$ 0	\$ (691,247)
Public Safety	4,309,467	1,376,666	365,825	0	(2,566,976)	0	(2,566,976)
Public Works	1,044,000	107,293	111,948	893,834	69,075	0	69,075
Culture and Recreation	604,679	399,619	2,700	78,345	(124,015)	0	(124,015)
Community Development	554,978	39	0	442,500	(112,439)	0	(112,439)
Interest on Long-term Debt	517,014	0	0	0	(517,014)	0	(517,014)
Total Governmental Activities	<u>8,440,562</u>	<u>2,023,142</u>	<u>1,060,125</u>	<u>1,414,679</u>	<u>(3,942,616)</u>	<u>0</u>	<u>(3,942,616)</u>
Business-Type Activities:							
Water	2,128,265	2,298,907	0	0	0	170,642	170,642
Wastewater	2,830,952	2,913,086	12,287	0	0	94,421	94,421
Total Business-Type Activities	<u>4,959,217</u>	<u>5,211,993</u>	<u>12,287</u>	<u>0</u>	<u>0</u>	<u>265,063</u>	<u>265,063</u>
Total Primary Government	<u>\$ 13,399,779</u>	<u>\$ 7,235,135</u>	<u>\$ 1,072,412</u>	<u>\$ 1,414,679</u>	<u>(3,942,616)</u>	<u>265,063</u>	<u>(3,677,553)</u>
General Revenues:							
Property Taxes					4,534,809	0	4,534,809
Interest and Penalties on Delinquent Taxes					65,645	0	65,645
Unrestricted Investment Earnings					3,907	85,803	89,710
General State Grants					84,441	0	84,441
Other Revenues					44,617	0	44,617
Gain on Sale of Capital Assets					3,341	0	3,341
Transfers					6,667	(6,667)	0
Total General Revenues and Transfers					<u>4,743,427</u>	<u>79,136</u>	<u>4,822,563</u>
Change in Net Position					800,811	344,199	1,145,010
Net Position - July 1, 2014, As Restated					<u>6,603,630</u>	<u>14,863,697</u>	<u>21,467,327</u>
Net Position - June 30, 2015					<u>\$ 7,404,441</u>	<u>\$ 15,207,896</u>	<u>\$ 22,612,337</u>

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

CITY OF ST. ALBANS, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	TIF Capital Projects Fund	TIF Debt Service Fund	Streetscape Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 3,888,664	\$ 843,231	\$ 0	\$ 0	\$ 12,972	\$ 4,744,867
Receivables (Net of Allowance for Uncollectibles)	385,899	0	0	242,323	344,939	973,161
Due from Other Funds	0	125,495	2,502,194	24,542	0	2,652,231
Advances to Other Funds	80,919	0	0	0	50,476	131,395
Loans Receivable	0	0	0	0	107,385	107,385
Prepaid Items	6,483	0	0	0	0	6,483
Inventories	5,456	0	0	0	0	5,456
Assets Held for Resale	0	0	0	0	201,606	201,606
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>201,606</u>	<u>201,606</u>
Total Assets	<u>\$ 4,367,421</u>	<u>\$ 968,726</u>	<u>\$ 2,502,194</u>	<u>\$ 266,865</u>	<u>\$ 717,378</u>	<u>\$ 8,822,584</u>
LIABILITIES						
Accounts Payable	\$ 117,375	\$ 4,380	\$ 0	\$ 216,865	\$ 165,601	\$ 504,221
Accrued Payroll and Benefits Payable	87,347	0	0	0	0	87,347
Due to Other Funds	3,402,178	0	0	0	407,071	3,809,249
Advances from Other Funds	0	0	0	0	131,395	131,395
Unearned Revenue	93,208	0	0	0	0	93,208
	<u>93,208</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,208</u>
Total Liabilities	<u>3,700,108</u>	<u>4,380</u>	<u>0</u>	<u>216,865</u>	<u>704,067</u>	<u>4,625,420</u>
DEFERRED INFLOWS OF RESOURCES						
Prepaid Property Taxes	18,954	0	0	0	0	18,954
Unavailable Revenue - Property Taxes	158,500	0	0	0	0	158,500
Unavailable Revenue - Other	22,693	0	0	56,877	372,769	452,339
	<u>22,693</u>	<u>0</u>	<u>0</u>	<u>56,877</u>	<u>372,769</u>	<u>452,339</u>
Total Deferred Inflows of Resources	<u>200,147</u>	<u>0</u>	<u>0</u>	<u>56,877</u>	<u>372,769</u>	<u>629,793</u>
FUND BALANCES (DEFICIT)						
Nonspendable	92,858	0	0	0	252,082	344,940
Restricted	0	964,346	0	0	11,972	976,318
Assigned	374,308	0	2,502,194	0	0	2,876,502
Unassigned	0	0	0	(6,877)	(623,512)	(630,389)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,877)</u>	<u>(623,512)</u>	<u>(630,389)</u>
Total Fund Balances/(Deficit)	<u>467,166</u>	<u>964,346</u>	<u>2,502,194</u>	<u>(6,877)</u>	<u>(359,458)</u>	<u>3,567,371</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,367,421</u>	<u>\$ 968,726</u>	<u>\$ 2,502,194</u>	<u>\$ 266,865</u>	<u>\$ 717,378</u>	

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.	21,076,347
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.	610,839
Deferred Outflows of Resources related to the City's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.	348,763
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	(17,775,799)
Deferred Inflows of Resources related to the City's Defined Benefit Pension Plan and it's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds	(423,080)
Net Position of Governmental Activities	<u>\$ 7,404,441</u>

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	TIF Capital Projects Fund	TIF Debt Service Fund	Streetscape Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 4,052,390	\$ 0	\$ 480,219	\$ 0	\$ 0	\$ 4,532,609
Penalties and Interest	65,645	0	0	0	0	65,645
Intergovernmental Revenues	1,179,660	0	0	467,869	779,886	2,427,415
Charges for Services	1,912,381	0	0	0	0	1,912,381
Investment Income	1,593	0	2,194	0	120	3,907
Loan Repayments	0	0	0	0	966	966
Licenses and Permits	113,935	0	0	0	0	113,935
Donations	78,345	0	0	0	95,200	173,545
Other Revenue	136,601	23,675	0	0	440	160,716
	<u>7,540,550</u>	<u>23,675</u>	<u>482,413</u>	<u>467,869</u>	<u>876,612</u>	<u>9,391,119</u>
Total Revenues						
EXPENDITURES						
Current:						
General Government	1,421,743	0	0	0	35,429	1,457,172
Public Safety	3,915,241	0	0	0	58,718	3,973,959
Public Works	715,622	0	0	0	0	715,622
Culture and Recreation	552,427	0	0	0	411	552,838
Community Development	0	37,716	0	0	384,425	422,141
Capital Outlay:						
General Government	18,366	0	0	0	453,212	471,578
Public Safety	80,888	0	0	0	0	80,888
Public Works	501,319	2,972,951	0	398,208	532,656	4,405,134
Culture and Recreation	125,398	0	0	0	0	125,398
Debt Service:						
Principal	309,981	0	570,000	0	0	879,981
Interest	31,835	0	486,245	0	0	518,080
	<u>7,672,820</u>	<u>3,010,667</u>	<u>1,056,245</u>	<u>398,208</u>	<u>1,464,851</u>	<u>13,602,791</u>
Total Expenditures						
Excess/(Deficiency) of Revenues Over Expenditures	<u>(132,270)</u>	<u>(2,986,992)</u>	<u>(573,832)</u>	<u>69,661</u>	<u>(588,239)</u>	<u>(4,211,672)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of Long-Term Debt	94,479	0	0	0	350,000	444,479
Proceeds from Sale of Equipment	2,375	0	0	0	0	2,375
Transfers In	0	0	576,026	77,010	145,041	798,077
Transfers Out	(206,998)	(584,412)	0	0	0	(791,410)
	<u>(110,144)</u>	<u>(584,412)</u>	<u>576,026</u>	<u>77,010</u>	<u>495,041</u>	<u>453,521</u>
Total Other Financing Sources/(Uses)						
Net Change in Fund Balances	(242,414)	(3,571,404)	2,194	146,671	(93,198)	(3,758,151)
Fund Balances/(Deficit) - July 1, 2014	709,580	4,535,750	2,500,000	(153,548)	(266,260)	7,325,522
Fund Balances/(Deficit) - June 30, 2015	<u>\$ 467,166</u>	<u>\$ 964,346</u>	<u>\$ 2,502,194</u>	<u>\$ (6,877)</u>	<u>\$ (359,458)</u>	<u>\$ 3,567,371</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, 2015

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)	\$	(3,758,151)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$5,082,998) is allocated over their estimated useful lives and reported as depreciation expense (\$599,724). This is the amount by which capital outlays exceeded depreciation in the current period.		4,483,274
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and loss on disposals) is to decrease net position.		(137,975)
The issuance of long-term debt (\$444,479) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$879,981) 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.		435,502
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.		(68,789)
Governmental funds report employer pension contributions as expenditures (\$292,771). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$441,464) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(148,693)
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>(4,357)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>800,811</u></u>

The General Fund charges the Water and Wastewater Funds for administrative expenses. These charges totaling \$90,000 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 FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Water Fund	Wastewater Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 1,091,065	\$ 1,465,765	\$ 2,556,830
Receivables (Net of Allowance for Uncollectibles)	525,490	763,028	1,288,518
Notes Receivable, Current Portion	0	9,000	9,000
Inventory	22,830	13,209	36,039
Due from Other Funds	722,491	434,527	1,157,018
Total Current Assets	2,361,876	2,685,529	5,047,405
Noncurrent Assets:			
Notes Receivable	29,346	29,797	59,143
Capital Assets			
Land	155,000	42,000	197,000
Construction in Progress	0	463,888	463,888
Buildings, Distribution and Collection System and Improvements	9,247,744	22,555,720	31,803,464
Vehicles, Machinery and Equipment	1,426,130	1,526,792	2,952,922
Less Accumulated Depreciation	(4,186,480)	(10,859,121)	(15,045,601)
Total Noncurrent Assets	6,671,740	13,759,076	20,430,816
Total Assets	9,033,616	16,444,605	25,478,221
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to the City's Pension Plan and Participation in VMERS			
	59,939	74,401	134,340
Total Deferred Outflows of Resources	59,939	74,401	134,340
Total Assets and Deferred Outflows of Resources	\$ 9,093,555	\$ 16,519,006	\$ 25,612,561
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 57,845	\$ 77,968	\$ 135,813
Accrued Payroll	11,273	12,745	24,018
Unearned Revenue	8,411	0	8,411
Accrued Interest Payable	17,460	55,942	73,402
Bonds Payable - Current Portion	100,955	176,434	277,389
Notes Payable - Current Portion	68,078	24,559	92,637
Total Current Liabilities	264,022	347,648	611,670
Noncurrent Liabilities			
Compensated Absences Payable	58,450	103,620	162,070
Net Pension Liability	396,997	534,431	931,428
Bonds Payable - Noncurrent Portion	3,213,037	3,354,385	6,567,422
Notes Payable - Noncurrent Portion	1,283,785	716,500	2,000,285
Total Noncurrent Liabilities	4,952,269	4,708,936	9,661,205
Total Liabilities	5,216,291	5,056,584	10,272,875
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to the City's Pension Plan and Participation in VMERS			
	61,905	69,885	131,790
Total Deferred Inflows of Resources	61,905	69,885	131,790
NET POSITION			
Net Investment in Capital Assets	1,976,539	9,457,401	11,433,940
Unrestricted	1,838,820	1,935,136	3,773,956
Total Net Position	3,815,359	11,392,537	15,207,896
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 9,093,555	\$ 16,519,006	\$ 25,612,561

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, 2015

	Water Fund	Wastewater Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 2,163,261	\$ 2,744,795	\$ 4,908,056
Penalties and Interest	13,662	18,093	31,755
Allocation Fees	95,480	149,460	244,940
Other Income	<u>11,504</u>	<u>738</u>	<u>12,242</u>
Total Operating Revenues	<u>2,283,907</u>	<u>2,913,086</u>	<u>5,196,993</u>
Operating Expenses:			
Salaries and Benefits	769,494	935,795	1,705,289
Other Purchased Services	166,965	205,070	372,035
Chemicals	130,328	321,469	451,797
Repairs and Maintenance	145,087	103,737	248,824
Insurances	49,653	48,589	98,242
Utilities	213,369	227,349	440,718
Supplies	17,942	18,581	36,523
Real Estate and State Water Taxes	56,452	4,992	61,444
Other Operating Costs	89,923	114,305	204,228
Depreciation	<u>306,403</u>	<u>760,030</u>	<u>1,066,433</u>
Total Operating Expenses	<u>1,945,616</u>	<u>2,739,917</u>	<u>4,685,533</u>
Operating Income	<u>338,291</u>	<u>173,169</u>	<u>511,460</u>
Nonoperating Revenues (Expenses):			
Land Lease	15,000	0	15,000
Investment Income	35,064	50,739	85,803
Noncapital Grant Revenue	0	12,287	12,287
Noncapital Grant Expense	0	(12,287)	(12,287)
Interest Expense	<u>(182,649)</u>	<u>(78,748)</u>	<u>(261,397)</u>
Total Nonoperating Revenues (Expenses)	<u>(132,585)</u>	<u>(28,009)</u>	<u>(160,594)</u>
Net Income Before Capital Contributions and Transfers	205,706	145,160	350,866
Transfers Out	<u>(3,334)</u>	<u>(3,333)</u>	<u>(6,667)</u>
Change in Net Position	202,372	141,827	344,199
Net Position - July 1, 2014, As Restated	<u>3,612,987</u>	<u>11,250,710</u>	<u>14,863,697</u>
Net Position - June 30, 2015	<u>\$ 3,815,359</u>	<u>\$ 11,392,537</u>	<u>\$ 15,207,896</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, 2015

	Water Fund	Wastewater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 2,193,752	\$ 2,787,347	\$ 4,981,099
Other Receipts	11,504	738	12,242
Payments for Goods and Services	(879,135)	(1,090,799)	(1,969,934)
Payment of Taxes	(56,452)	(4,992)	(61,444)
Payments for Wages and Benefits	(733,690)	(888,331)	(1,622,021)
	<u>535,979</u>	<u>803,963</u>	<u>1,339,942</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Notes Receivable	0	1,000	1,000
Transfers Out	(3,334)	(3,333)	(6,667)
Proceeds from Land Lease	15,000	0	15,000
Proceeds from Noncapital Grant	0	12,287	12,287
Noncapital Grant Expenses	0	(12,287)	(12,287)
Decrease/(Increase) in Due from Other Funds	359,053	235,424	594,477
	<u>370,719</u>	<u>233,091</u>	<u>603,810</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(144,920)	(340,547)	(485,467)
Proceeds of Long-Term Debt	16,482	426,737	443,219
Principal Paid on:			
General Obligation Bonds	(97,138)	(172,974)	(270,112)
Notes Payable	(64,818)	(22,968)	(87,786)
Interest Paid on:			
General Obligation Bonds	(132,149)	(74,076)	(206,225)
Notes Payable	(51,287)	(10,469)	(61,756)
	<u>(473,830)</u>	<u>(194,297)</u>	<u>(668,127)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest & Dividends	35,064	50,739	85,803
	<u>35,064</u>	<u>50,739</u>	<u>85,803</u>
Net Increase in Cash	467,932	893,496	1,361,428
Cash - July 1, 2014	623,133	572,269	1,195,402
Cash - June 30, 2015	<u>\$ 1,091,065</u>	<u>\$ 1,465,765</u>	<u>\$ 2,556,830</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	338,291	173,169	511,460
Depreciation	306,403	760,030	1,066,433
Bad Debt	0	1,834	1,834
(Increase)/Decrease in Accounts Receivable	(53,988)	(95,204)	(149,192)
(Increase)/Decrease in Notes Receivable	(29,346)	(29,797)	(59,143)
(Increase)/Decrease in Inventory	(5,365)	(89)	(5,454)
Increase/(Decrease) in Accounts Payable	(60,503)	(53,444)	(113,947)
Increase/(Decrease) in Accrued Payroll	5,172	5,613	10,785
Increase/(Decrease) in Unearned Revenue	4,683	0	4,683
Increase/(Decrease) in Compensated Absences Payable	(1,284)	(1,857)	(3,141)
Increase/(Decrease) in Net Pension Liability and Related Deferrals	31,916	43,708	75,624
	<u>\$ 535,979</u>	<u>\$ 803,963</u>	<u>\$ 1,339,942</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, 2015

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 0	\$ 28,877
Investments		
Fixed Income	2,437,947	0
Stocks	1,504,786	0
Receivables	<u>7,929</u>	<u>0</u>
 Total Assets	 <u>3,950,662</u>	 <u>\$ 28,877</u>
LIABILITIES		
Accounts Payable	0	2,435
Due to Others	<u>0</u>	<u>26,442</u>
 Total Liabilities	 <u>0</u>	 <u>\$ 28,877</u>
NET POSITION		
Held in Trust For:		
Employees' Pension Benefits	<u>3,950,662</u>	
 Total Net Position	 <u>\$ 3,950,662</u>	

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, 2015

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 200,000
Plan Members	36,594
Total Contributions	236,594
Net Investment Earnings	248,400
Total Additions	484,994
DEDUCTIONS	
Benefits - Pension	449,104
Administrative Expenses	31,191
Management Fee	14,435
Total Deductions	494,730
Net Decrease in Net Position	(9,736)
Net Position - July 1, 2014	3,960,398
Net Position- June 30, 2015	\$ 3,950,662

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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, dispatch, 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 activity of the City of St. Albans, Vermont. The financial 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 impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other 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.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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 downtown Streetscape projects.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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 account for monies maintained for local nonprofit groups, Saint Albans for the Future and the Explorer Program, as well as 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, liabilities, and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., net position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

D. Basis of Accounting

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

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the 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, the net pension liability, 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 measureable and available only when cash is received by the City.

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 is 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.

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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, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. New Pronouncement – Financial Reporting for Pension Plans

Effective June 30, 2015, the City implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions” – an amendment of GASB Statement No. 27. GASB Statement No. 68 required the reporting of the proportionate share of the net pension liability related to the City’s participation in the Vermont Municipal Employees’ Retirement System (VMERS), the entire net pension liability for the City’s single-employer pension plan, as well as additional disclosures and required supplemental information. The objective of this Statement is to improve the accounting and financial reporting by state and local governments for pension plans for making decisions and assessing accountability.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources 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 or borrowing arrangements that are outstanding at the end of the fiscal year are referred to as Advances to/from Other Funds. 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”.

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Advances between funds, as reported in the fund financial statements, are offset by a 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 Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the governmental funds consist 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. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows and inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) pension plan and additions to or deductions from the VMERS' fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Deferred Outflows and 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/expenditure) until then. The City has one (1) type of item which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources related to the City's defined benefit pension plan and the City's participation in VMERS. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

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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 there (3) types of items which arise under the modified accrual basis of accounting and two (2) types which arise under the accrual basis of accounting that qualify for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred inflows of resources from two (2) sources: prepaid property taxes and deferred inflows of resources related to the City's defined benefit pension plan and the City's participation in VMERS. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows of resources are related. The governmental funds report deferred inflows of resources 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 future periods that the amounts become available or to which the inflows are related.

8. 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 asset's life are not capitalized. Infrastructure assets are reported starting with fiscal year June 30, 2004. The City has elected to not report major general infrastructure assets retroactively.

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

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

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	<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.

9. 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.

10. Long-term Liabilities

Long-term liabilities include bonds, notes and capital leases payable and other obligations such as compensated absences and the net pension liability. 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.

11. 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.

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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 an other 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 long-term debt proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition the accrual for the City's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

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, 2015, expenditures in the General Fund exceeded appropriations by \$438,324. This was funded by unbudgeted revenues, lease proceeds, and available fund balance.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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C. Restatement of Net Position

Effective June 30, 2015, the City implemented GASB Statement No. 68, "Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27." As a result, beginning net position of the Governmental Activities was reduced by \$1,679,551. As originally stated the City's beginning net position included a net pension obligation of \$184,373 relating to the City's single-employer defined benefit pension plan. This amount was removed from beginning net position and replaced with a beginning net pension liability of \$1,596,755 relating to the City's single-employer defined benefit pension plan. The City is also a participant in the Vermont Municipal Employees' Retirement System (VMERS) and beginning net position was reduced by the City's share of beginning net pension liability of \$412,308. Additionally, beginning net position of the Governmental Activities was increased by \$145,139 of contributions made to VMERS during fiscal year 2014. The Governmental Activities net position has been restated from \$8,283,181 to \$6,603,630.

Beginning net position in the Business-Type Activities was reduced by \$853,255 as a result of GASB Statement No. 68. The reduction reflects the net pension liability associated with the City's single-employer defined benefit pension plan of \$786,462 and \$103,077 as a result of the City's participation in VMERS. Additionally, beginning net position of the Business-Type Activities was increased by \$36,284 for contributions made to VMERS during fiscal year 2014. The Business-Type Activities net position has been restated from \$15,716,952 to \$14,863,697

Beginning net position in the Water Fund was reduced by \$367,047. The reduction reflects the net pension liability associated with the City's single-employer defined benefit pension plan of \$333,651 and \$51,538 as a result of the City's participation in VMERS. Additionally, beginning net position in the Water Fund was increased by \$18,142 for contributions made to VMERS during fiscal year 2014. The Water Fund net position has been restated from \$3,980,034 to \$3,612,987.

Beginning net position in the Wastewater Fund was reduced by \$486,208. The reduction reflects the net pension liability associated with the City's single-employer defined benefit pension plan of \$452,811 and \$51,539 as a result of the City's participation in VMERS. Additionally, beginning net position in the Wastewater Fund was increased by \$18,142 for contributions made to VMERS during fiscal year 2014. The Wastewater Fund net position has been restated from \$11,736,918 to \$11,250,710.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments as of June 30, 2015 consisted of the following:

Cash:	
Cash on Hand	\$ 7,122
Deposits with Financial Institutions	6,480,221
Deposits with Investment Company	<u>843,231</u>
Total Cash	<u>7,330,574</u>

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Investments:

Pension Investments – International Stocks	\$ 386,958
Pension Investments – US Stocks	1,117,828
Annuity Contracts	<u>2,437,947</u>
 Total Investments	 <u>3,942,733</u>
 Total Cash and Investments	 <u>\$ 11,273,307</u>

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 annuity contract 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	\$ 537,047	\$ 536,969
Uninsured, Held by the Bank’s Trust Department	593,231	593,231
Uninsured, Uncollateralized (\$2,952,372 is Offset by Debt to the Respective Bank)	<u>6,193,174</u>	<u>5,944,789</u>
 Total Cash Deposits	 <u>\$ 7,323,452</u>	 <u>\$ 7,074,989</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

Deposits are comprised of the following:

Cash with Financial Institutions	\$ 6,480,221
Cash with Investment Company	<u>843,231</u>
 Total Cash Deposits	 <u>\$ 7,323,452</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
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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. The City's stocks and annuity contracts are not subject to credit risk disclosure.

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 62% of their retirement investments invested in a guaranteed deposit account with PRIAC. The other 38% of the City's retirement investments are in stocks.

B. Receivables

Receivables at June 30, 2015, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 273,872	\$ 0	\$ 273,872
Penalties and Interest	40,715	0	40,715
Billed Services	0	848,245	848,245
Unbilled Services	0	287,671	287,671
Grants	611,340	0	611,340
Other	69,824	167,102	236,926
Reimbursements	3,410	0	3,410
Allowance for Doubtful Accounts	<u>(26,000)</u>	<u>(14,500)</u>	<u>(40,500)</u>
	<u>\$ 973,161</u>	<u>\$ 1,288,518</u>	<u>\$ 2,261,679</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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C. Loans and Notes Receivable

Loans Receivable at June 30, 2015 consists of seven (7) 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	\$ 3,796
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 October 30, 2044, Secured by a Mortgage Deed on Real Property	350,000
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>1,873,397</u>
Plus: Accrued Interest on Note	3,589
Less: Allowance for Doubtful Loans Receivable	<u>(1,769,601)</u>
Governmental Funds Reported Balance at June 30, 2015	<u>\$ 107,385</u>

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

<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Amounts</u> <u>Written Off</u>	<u>Balance</u> <u>June 30, 2015</u>
\$ 1,524,363	\$ 350,000	\$ 966	\$ 0	\$ 1,873,397

Notes Receivable at June 30, 2015 consists of one (1) note for acquisition of a pump station in the wastewater fund and one (1) note for allocation fees in both the water and wastewater funds as follows.

Proprietary Funds

Note Receivable; Local Business; for the City's Assumption of Pump Station; Interest at 0%; Monthly Principal Payments of \$1,000; Due March 15, 2016	\$ 9,000
Note Receivable; Local Business for Water and Wastewater Allocation Fees; Interest at 2.50%; Balloon Payment Due June 30, 2019	<u>57,690</u>
Total	66,690
Plus: Accrued Interest on Note	<u>1,453</u>
Proprietary Funds Reported Value at June 30, 2015	<u>\$ 68,143</u>

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

<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Amounts</u> <u>Written Off</u>	<u>Balance</u> <u>June 30, 2015</u>
\$ 11,834	\$ 57,690	\$ 1,000	\$ 1,834	\$ 66,690

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NOTES TO THE FINANCIAL STATEMENTS
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D. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 908,932	\$ 0	\$ 132,837	\$ 776,095
Construction in Progress	<u>11,010,988</u>	<u>4,488,791</u>	<u>12,856,422</u>	<u>2,643,357</u>
Total Capital Assets, Not Being Depreciated	<u>11,919,920</u>	<u>4,488,791</u>	<u>12,989,259</u>	<u>3,419,452</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,534,539	22,537	0	1,557,076
Vehicles, Machinery and Equipment	3,418,834	140,171	42,564	3,516,441
Infrastructure	<u>2,395,519</u>	<u>13,287,921</u>	<u>0</u>	<u>15,683,440</u>
	<u>7,348,892</u>	<u>13,450,629</u>	<u>42,564</u>	<u>20,756,957</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	791,793	33,644	0	825,437
Vehicles, Machinery and Equipment	1,418,198	321,695	37,426	1,702,467
Infrastructure	<u>327,773</u>	<u>244,385</u>	<u>0</u>	<u>572,158</u>
Totals	<u>2,537,764</u>	<u>599,724</u>	<u>37,426</u>	<u>3,100,062</u>
Total Capital Assets, Being Depreciated	<u>4,811,128</u>	<u>12,850,905</u>	<u>5,138</u>	<u>17,656,895</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,731,048</u>	<u>\$ 17,339,696</u>	<u>\$ 12,994,397</u>	<u>\$ 21,076,347</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 202,012	\$ 0	\$ 5,012	\$ 197,000
Construction in Progress	<u>1,663,312</u>	<u>297,395</u>	<u>1,496,819</u>	<u>463,888</u>
Total Capital Assets, Not Being Depreciated	<u>1,865,324</u>	<u>297,395</u>	<u>1,501,831</u>	<u>660,888</u>
Capital Assets, Being Depreciated:				
Buildings, Distribution and Collection Systems & Improvements	30,389,064	1,414,400	0	31,803,464
Machinery and Equipment	<u>2,745,816</u>	<u>296,048</u>	<u>88,942</u>	<u>2,952,922</u>
Totals	<u>33,134,880</u>	<u>1,710,448</u>	<u>88,942</u>	<u>34,756,386</u>
Less Accumulated Depreciation for:				
Buildings, Distribution and Collection Systems & Improvements	12,372,428	765,539	0	13,137,967
Machinery and Equipment	<u>1,675,136</u>	<u>300,894</u>	<u>68,396</u>	<u>1,907,634</u>
Totals	<u>14,047,564</u>	<u>1,066,433</u>	<u>68,396</u>	<u>15,045,601</u>
Total Capital Assets, Being Depreciated	<u>19,087,316</u>	<u>644,015</u>	<u>20,546</u>	<u>19,710,785</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,952,640</u>	<u>\$ 941,410</u>	<u>\$ 1,522,377</u>	<u>\$ 20,371,673</u>

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Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 6,641	Water	\$ 306,403
Public Safety	241,819	Wastewater	<u>760,030</u>
Public Works	312,340		
Culture and Recreation	<u>38,924</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 599,724</u>	Total Depreciation Expense - Business-Type Activities	<u>\$ 1,066,433</u>

E. Interfund Balances and Activity

The composition of Due From/(To) Other Funds at June 30, 2015 is as follows:

<u>Fund Name</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 3,402,178
TIF Capital Projects Fund	125,495	0
TIF Debt Service Fund	2,502,194	0
Streetscape Fund	24,542	0
Other Governmental Funds	0	407,071
Water Fund	722,491	0
Wastewater Fund	<u>434,527</u>	<u>0</u>
Total	<u>\$ 3,809,249</u>	<u>\$ 3,809,249</u>

The composition of Advances To/(From) Other Funds at June 30, 2015 is as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 80,919	\$ 0
Community Development Fund	50,476	0
Federal Street Bypass Fund	<u>0</u>	<u>131,395</u>
Total	<u>\$ 131,395</u>	<u>\$ 131,395</u>

CITY OF ST. ALBANS, VERMONT
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The advances will be repaid as grant receivables are collected.

Interfund transfers during the year ended June 30, 2015 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	VCDP Grants Fund	\$ 7,917	Fund local match on grants
General Fund	City Hall Renovation Fund	50,000	Contribute to City Hall Renovation
General Fund	Streetscape Fund	11,783	Fund local match on grants
General Fund	TIF Debt Service	56,841	Fund TIF Bond debt service
General Fund	Fonda/Solo Building Fund	80,457	Refund advances
TIF Capital Projects	TIF Debt Service	519,185	Fund TIF Bond debt service
TIF Capital Projects	Streetscape Fund	65,227	Fund local match on grants
Water Fund	City Hall Renovation Fund	3,334	Contribute to City Hall Renovation
Wastewater Fund	City Hall Renovation Fund	<u>3,333</u>	Contribute to City Hall Renovation
	Total	<u>\$ 798,077</u>	

F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consist of \$2,890 as a result of differences between projected and actual earnings on investments and \$186,134 arising from changes in mortality assumptions. It also includes \$159,739 related to the City's participation in VMERS resulting from required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Governmental Activities are \$348,763.

Deferred outflows of resources in the Business-Type Activities consist of \$1,444 as a result of differences between projected and actual earnings on investments and \$92,962 arising from changes in mortality assumptions. It also includes \$39,934 related to the City's participation in VMERS resulting from required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Governmental Activities are \$134,340.

G. Unearned Revenue

Unearned revenue in the General Fund consists of \$39,025 in parking garage passes purchased in advance; \$34,090 of payments for recreation programs for fiscal year 2016; and \$20,093 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 \$93,208.

Unearned revenue in the Water Fund of \$8,411 consists of water fees received in advance. This revenue will be earned in 2016 as water fees are billed.

CITY OF ST. ALBANS, VERMONT
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JUNE 30, 2015

H. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$158,500 of delinquent property taxes, penalties and interest on those taxes as well as \$22,693 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 \$18,954 of prepaid property taxes. Total deferred inflows of resources in the General Fund are \$200,147.

Deferred inflows of resources in the Streetscape Fund consists of \$56,877 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 \$107,385 of net loans receivable and \$265,384 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 \$372,769.

Deferred inflows of resources in the Governmental Activities consist \$18,954 of prepaid property taxes. It also includes \$104,307 in experience gains related to the City's single-employer defined benefit pension plan as well as \$316,651 resulting from the difference between the projected and actual investment earnings related to the City's participation in VMERS and \$2,122 resulting from a change in the proportional share of the City's contributions to VMERS. Total deferred inflows of resources in the Governmental Activities are \$442,034.

Deferred inflows of resources in the Business-Type Activities consist of \$52,095 in experience gains related to the City's single-employer defined benefit pension plan. It also includes \$79,164 resulting from the difference between the projected and actual investment earnings related to the City's participation in VMERS as well as \$531 resulting from a change in the proportional share of the City's contributions to VMERS. Total deferred inflows of resources in the Business-Type Activities are \$131,790.

I. Long-term Liabilities

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

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

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

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

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.G.9. The accrual for compensated absences, based on current rates, is recorded in the government-wide and proprietary fund financial statements.

Net Pension Liability – The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retiree, and beneficiaries. The accrual for the City’s net pension liability related to the City’s single-employer defined benefit pension plan as well as the City’s share of the net pension liability associated with VMERS is recorded in the government-wide and proprietary fund financial statements.

Long-term liabilities outstanding as of June 30, 2015 were as follows.

Bonds, Notes and Capital Leases Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2015</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	\$ 85,219	\$ 0	\$ 12,233	\$ 72,986
Note Payable – Peoples Trust Company; 32 Nason Street Property; Interest at 3.75%; Monthly Principal and Interest Payments of \$997; Due December 25, 2016	27,294	0	11,132	16,162

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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<p>Note Payable – Peoples Trust Company; Fonda/Solo Building Purchase; Interest at 2.25%; The City is Making Interest Only Payments and Renewing the Note Each Year Until the Property is Sold. The Note was renewed until July 31, 2016 with interest at 1.50%</p>	\$ 325,816	\$ 0	\$ 0	\$ 325,816
<p>Note Payable – Peoples Trust Company; Purchase of Little League Fields; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,563; Due and Paid on July 23, 2014</p>	1,562	0	1,562	0
<p>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</p>	156,011	0	14,382	141,629
<p>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</p>	97,850	0	14,603	83,247
<p>Note Payable – Peoples Trust Company; One Third (33.34%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016</p>	18,539	0	9,128	9,411
<p>Note Payable – Peoples Trust Company; Federal Street Project Local Match; Interest at 1.50%; Monthly Principal and Interest Payments of \$1,726; Due and Paid on June 30, 2015</p>	20,550	0	20,550	0
<p>Note Payable – Peoples Trust Company; Sidewalk Plow Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,473; Due March 21, 2017</p>	46,772	0	16,602	30,170

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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<p>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</p>	\$	21,887	\$	0	\$	8,288	\$	13,599
<p>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</p>		87,507		0		9,087		78,420
<p>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</p>		15,512		0		1,527		13,985
<p>Note Payable – Peoples Trust Company; Sidewalk Plow II Purchase; Interest at 2.85%; Quarterly Principal and Interest Payments of \$5,150; Due March 15, 2021</p>		126,089		0		17,198		108,891
<p>Note Payable – Peoples Trust Company; Bucket Truck; Interest at 2.55%; Monthly Principal and Interest Payments of \$763; Due October 1, 2019</p>		0		43,000		5,457		37,543
<p>Note Payable – Peoples Trust Company; Recreation Vehicle; Interest at 2.55%; Monthly Principal and Interest Payments of \$413; Due October 1, 2019</p>		0		23,238		2,949		20,289
<p>Note Payable – Peoples Trust Company; Line Striper; Interest at 2.55%; Monthly Principal and Interest Payments of \$355; Due November 25, 2019</p>		0		20,000		2,205		17,795

CITY OF ST. ALBANS, VERMONT
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<p>Note Payable – Peoples Trust Company; Twenty Percent (20%) of a Skid Steer; Interest at 2.55%; Monthly Principal and Interest Payments of \$108; Due November 25, 2019</p>	\$	0	\$	8,241	\$	625	\$	7,616
<p>Bond Anticipation Note Payable – Peoples Trust Company; City Hall Renovation; Enterprise funds Will Fund 50% of debt payments; Interest at 3.40%; Authorized up to \$2.3 Million; Monthly Interest Payments Vary; Balloon Principal Payment Due March 5, 2016 at Which Time the City Intends to Refinance with a Bond; Bond Term Unknown Until Finalized</p>		0		350,000		0		350,000
<p>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 and Paid on December 1, 2014</p>		35,000		0		35,000		0
<p>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 and Paid on November 15, 2014</p>		95,000		0		95,000		0
<p>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</p>		145,000		0		25,000		120,000

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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<p>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</p>	<p>\$14,500,000</p>	<p>\$</p>	<p>0</p>	<p>\$</p>	<p>570,000</p>	<p>\$</p>	<p>13,930,000</p>
<p>Capital Lease Payable – Municipal Leasing; Recreation Van; Interest at 4.45%; Annual Principal and Interest Payments of \$4,987; Due October 15, 2018</p>	<p>21,925</p>	<p></p>	<p>0</p>	<p></p>	<p>4,012</p>	<p></p>	<p>17,913</p>
<p>Capital Lease Payable – Municipal Leasing; Fire Pickup Truck; Interest at 2.99%; Quarterly Principal and Interest Payments of \$1,085; Due August 15, 2020</p>	<p>23,917</p>	<p></p>	<p>0</p>	<p></p>	<p>3,441</p>	<p></p>	<p>20,476</p>
<p>Total Governmental Activities</p>	<p><u>\$ 15,851,450</u></p>	<p>\$</p>	<p><u>444,479</u></p>	<p>\$</p>	<p><u>879,981</u></p>	<p>\$</p>	<p><u>15,415,948</u></p>

Business-Type Activities

Water Fund

<p>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</p>	<p>\$ 3,411,130</p>	<p>\$</p>	<p>0</p>	<p>\$</p>	<p>97,138</p>	<p>\$</p>	<p>3,313,992</p>
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<p>Note Payable – Peoples Trust Company; Fifty Percent (50%) of Streetscape Utilities; Interest at 3.90%; Monthly Principal and Interest Payments of \$1,502; Due August 28, 2033</p>	<p>243,054</p>	<p></p>	<p>0</p>	<p></p>	<p>8,725</p>	<p></p>	<p>234,329</p>
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<p>Note Payable – Peoples Trust Company; One Third (33.33%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016</p>	<p>18,538</p>	<p></p>	<p>0</p>	<p></p>	<p>9,128</p>	<p></p>	<p>9,410</p>
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CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

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

	\$ 15,513	\$ 0	\$ 1,528	\$ 13,985
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Note Payable – Peoples Trust Company; Forty Percent (40%) of a Skid Steer; Interest at 2.55%; Monthly Principal and Interest Payments of \$216; Due November 25, 2019

	0	16,482	1,251	15,231
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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>1,123,094</u>	<u>0</u>	<u>44,186</u>	<u>1,078,908</u>
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Total Water Fund	<u>\$ 4,811,329</u>	<u>\$ 16,482</u>	<u>\$ 161,956</u>	<u>\$ 4,665,855</u>
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Wastewater Fund:

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

	\$ 243,053	\$ 0	\$ 8,725	\$ 234,328
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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; \$1,000,000 of the Bond was Granted to the City in 2011; Due September 1, 2031

	1,301,232	0	60,770	1,240,462
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CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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; \$79,588 of the Bond
was Granted to the City in 2012;
Due July 1, 2031 \$ 2,254,871 \$ 0 \$ 105,307 \$ 2,149,564

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 147,690 0 6,897 140,793

Note Payable – State of Vermont
Special Environmental Revolving
Fund; Wastewater Planning
Loan; Interest at 0.00%;
Annual Payments of \$2,336
Beginning October 1, 2014;
Due October 1, 2018 11,676 0 2,336 9,340

Note Payable – Peoples Trust
Company; One Third (33.33%)
of Single Axle Truck; Interest at
3.00%; Monthly Principal
and Interest Payments of \$797;
Due June 30, 2016 18,538 0 9,128 9,410

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 15,513 0 1,528 13,985

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Note Payable – Peoples Trust
Company; Forty Percent (40%)
of a Skid Steer; Interest at 2.55%;
Monthly Principal and Interest
Payments of \$216; Due
November 25, 2019

	\$	0	\$	16,482	\$	1,251	\$	15,231
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Note Payable – State of Vermont
Special Environmental Revolving
Fund; Wastewater Planning
Loan; Interest at 0.00%; \$607,200
Authorized; Annual Payments of
\$40,480 Beginning December 1, 2020;
Due December 1, 2034

	<u>48,510</u>	<u>410,255</u>	<u>0</u>	<u>458,765</u>
Total Wastewater Fund	<u>4,041,083</u>	<u>426,737</u>	<u>195,942</u>	<u>4,271,878</u>
Total Business-Type Activities	<u>\$ 8,852,412</u>	<u>\$ 443,219</u>	<u>\$ 357,898</u>	<u>\$ 8,937,733</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable	\$ 14,775,000	\$ 0	\$ 725,000	\$ 14,050,000	\$ 595,000
Notes Payable	1,030,609	444,479	147,528	1,327,560	135,689
Capital Leases Payable	45,841	0	7,453	38,388	7,770
Compensated Absences	351,722	316,085	310,662	357,145	310,000
Net Pension Liability*	<u>2,009,063</u>	<u>0</u>	<u>70,763</u>	<u>1,938,300</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>18,212,235</u>	<u>760,564</u>	<u>1,261,406</u>	<u>17,711,393</u>	<u>1,048,459</u>
Business-type Activities					
Bonds Payable	7,114,923	0	270,112	6,844,811	277,389
Notes Payable	1,737,489	443,219	87,786	2,092,922	92,637
Compensated Absences	165,211	112,598	115,739	162,070	115,000
Net Pension Liability*	<u>889,538</u>	<u>41,890</u>	<u>0</u>	<u>931,428</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 9,907,161</u>	<u>\$ 597,707</u>	<u>\$ 473,637</u>	<u>\$ 10,031,231</u>	<u>\$ 485,026</u>

*as restated, see Footnote III.C.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Compensated Absences are paid by the applicable fund where the employee is charged. The City applies a first-in, first-out flow assumption to estimate the amount of compensated absences payable that will become due within one year. The implication of this assumption is that the current ending balance in compensated absences payable will be used before any amounts are drawn from future accumulations of leave time. An estimate has been applied to determine the amount of compensated absences due within one year and is based on actual results from the previous year. For compensated absences in the Governmental Activities, the General Fund liquidates 100 percent and for compensated absences in the Business-Type Activities, the Water Fund normally liquidates 50 percent and the Wastewater Fund normally liquidates 50 percent.

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	\$ 730,690	\$ 503,979	\$ 9,327	\$ 370,026	\$ 257,941
2016	714,869	494,051	9,328	361,375	247,385
2017	700,106	483,322	9,327	371,875	236,806
2018	713,235	470,253	9,328	382,714	225,887
2019	714,444	454,353	4,340	422,149	214,611
2020-2024	3,418,400	1,964,060	1,085	2,263,429	892,574
2025-2029	3,925,000	1,287,168	0	2,577,224	546,388
2030-2034	3,785,000	359,769	0	1,859,472	192,152
2035-2039	0	0	0	329,469	10,846
Unknown	675,816	0	0	0	0
Total	15,377,560	6,016,955	42,735	8,937,733	2,824,590
Less: Imputed Interest	0	0	(4,347)	0	0
Total	\$ 15,377,560	\$ 6,016,955	\$ 38,388	\$ 8,937,733	\$ 2,824,590

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, 2016. For the year ended June 30, 2015, there was no short term debt activity and the outstanding balance as of the end of the year was zero (0).

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

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

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

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

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

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

The restricted net position of the City as of June 30, 2015 consisted of the following:

Governmental Activities:

Restricted for Community Development by Grant Agreement	\$ 164,701
Restricted for Taylor Park by Donations	<u>5,131</u>
Total Governmental Activities	<u>\$ 169,832</u>

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

General Fund:

Nonspendable Advances to Other Funds	\$ 80,919
Nonspendable Inventories	5,456
Nonspendable Prepaid Items	6,483

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Community Development Fund:

Nonspendable Assets Held for Resale	\$ 201,606
Nonspendable Advances to Other Funds	<u>50,476</u>
 Total Nonspendable Fund Balances	 <u>\$ 344,940</u>

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

Major Funds

TIF Capital Projects Fund:

Restricted for TIF Projects by Unspent Debt Proceeds	\$ <u>964,346</u>
 Total Major Funds	 <u>964,346</u>

Non-Major Funds

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	6,841
Restricted for Taylor Park Expenses by Donation (Source of Revenue is Donations)	<u>5,131</u>
 Total Non-Major Funds	 <u>11,972</u>
 Total Restricted Fund Balances	 <u>\$ 976,318</u>

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

Major Funds

General Fund:

Assigned for Downtown Redevelopment (JLD Proceeds)	\$ 288,184
Assigned for Stormwater Permitting (Lemnah Proceeds)	5,000
Assigned for Tennis Court Rehabilitation	5,000
Assigned for Public Works Reserves	43,610
Assigned for Record Preservation	80,000
Assigned for Police Department Expenses	6,989
Assigned for Parking Improvements	24,000
Assigned for City Hall Renovations	50,000
Amounts Assigned in Excess of Available Fund Balance	<u>(128,475)</u>
 Total General Fund	 374,308

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

TIF Debt Service Fund:

Assigned for TIF Capital Projects and Debt Service	\$ <u>2,502,194</u>
Total Assigned Fund Balances	\$ <u>2,876,502</u>

The unassigned deficits in the VCDP Grants Fund, the Federal Street Bypass Fund and the Streetscape Fund will be funded as grant receivables are collected and through future General Fund and TIF Capital Projects Fund transfers. The unassigned deficit in the City Hall Renovation Fund will be funded by debt proceeds.

K. Designated Net Position

The designated net position of the City as of June 30, 2015 consisted of the following:

Proprietary Funds:

Designated for Water Capital	\$ 1,094,719
Designated for Water Operations	<u>744,101</u>
Total Designated Water Fund Net Position	<u>1,838,820</u>
Designated for Wastewater Capital	1,519,756
Designated for Wastewater Operations	<u>415,380</u>
Total Designated Wastewater Fund Net Position	<u>1,935,136</u>
Total Designated Net Position	\$ <u>3,773,956</u>

V. OTHER INFORMATION

A. RETIREMENT PLANS

1. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis, and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

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The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives – one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of credible services.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2014, the measurement date selected by the State of Vermont, VMERS was funded at 98.32% and had a plan fiduciary net position of \$534,525,477 and a total pension liability of \$543,652,090 resulting in a net pension liability of \$9,126,613. As of June 30, 2015, the City’s proportionate share of this was 1.4065% resulting in a liability of \$128,361. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2014, the City’s proportion of 1.4065% was a decrease of 0.0091% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$192,867.

As of June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportional share of contributions	\$ 0	\$ 2,653
Difference between projected and actual earnings on pension plan investments	0	395,814
City's required employer contributions made subsequent to the measurement date	199,673	0
Total	<u>\$ 199,673</u>	<u>\$ 398,467</u>

The deferred outflows of resources resulting from the City’s required employer contributions made subsequent to the measurement date in the amount of \$199,673 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows.

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Year Ended		
June 30		
2016	\$	79,694
2017		79,694
2018		79,693
2019		79,693
2020		<u>79,693</u>
Total	\$	<u><u>398,467</u></u>

Summary of System Provisions

Membership: Full time employees of participating municipalities. The City elected coverage under Group B and Group C provisions.

Creditable Service: Service as a member plus purchased service.

Average Final Compensation (AFC): Groups B and C – Average annual compensation during the highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility: Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Group C – Age 55 with five (5) years of service.

Amount: Group B – 1.75% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Group C. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility: Age 55 with five (5) years of service for Group B.

Amount: Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

Amount: Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

CITY OF ST. ALBANS, VERMONT
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Disability Retirement Allowance:

Eligibility: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility: Death after five (5) years of service.

Amount: For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement: For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in the Consumer Price Index but not more than 3% for Groups B and C.

Member Contributions: Group B – 4.75% effective July 1, 2014 (increased from 4.625%). Group C – 9.625% effective July 1, 2014 and 9.75% effective January 1, 2015 (increased from 9.5%).

Employer Contributions: Group B – 5.375% effective July 1, 2014 (increased from 5.125%). Group C – 6.875% from July 1, 2014 to December 31, 2014 (increased from 6.625%) and then 7.0% effective January 1, 2015.

Retirement Stipend: \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

CITY OF ST. ALBANS, VERMONT
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Salary Increases: 5% per year.

Deaths:

Active participants: 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants: The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees: RP-2000 Disabled Life Tables.

Beneficiaries: 1995 Buck Mortality Tables for males and females.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for Group B and C members.

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

Note: For funding purposes – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

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Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate: The discount rate used to measure the total pension liability was 8.23%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.23%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%).

<u>Impact of a 1% Change in the Discount Rate</u>		
	<u>Discount Rate</u>	<u>Net Pension Liability</u>
Current Rate	8.23%	128,361
1% Decrease	7.23%	1,081,369
1% Increase	9.23%	(671,183)

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

CITY OF ST. ALBANS, VERMONT
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2. CITY OF ST. ALBANS PENSION PLAN - DEFINED BENEFIT 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 2015 was \$494,618 which was computed through an actuarial valuation performed as of January 1, 2015.

There are 20 active members and 54 retirees and beneficiaries. Additionally, there are 8 former employees with vested rights.

The market value of plan assets maintained at Prudential Investments is \$3,942,733 as of June 30, 2015.

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 $\frac{3}{4}\%$ 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 $\frac{3}{4}\%$ 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 $1\frac{1}{4}\%$ of the rate of Annual Base Earnings. After July 1, 1997, the yearly amount of future service pension is equal to $1\frac{1}{2}\%$ of the rate of Annual Base Earnings.
 - i. Effective July 1, 2001, the yearly amount of future service pension is equal to $1\frac{1}{2}\%$ 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.

CITY OF ST. ALBANS, VERMONT
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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.

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 of 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 payable under the normal form or the option is elected.

Disability Benefit: If a member who has completed at least 10 years of Continuous Service becomes totally and permanently disable 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, two thirds of the amount, or one half 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
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Investment Policy: The investment policy was approved by the City Council. The target allocation is as follows:

	<u>Target Allocation</u>
Domestic Equity	38.00%
Fixed Income	62.00%
Total	100.00%

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as for June 30, 2015 using an annual actuarial valuation as of June 30, 2015. Because the measurement date is the same as the reporting date, no adjustments have been necessary to roll forward the data.

Significant Actuarial Assumptions and Methods

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method	Entry Age Normal
Amortization Method	15 Year Level Dollar of the existing Net Pension Liability as of the valuation date
Remaining Amortization Term	15 Years; fresh start method with amortization of remaining unfunded amortized each year
Asset Valuation	Market Value
Interest Rate of Return	6.07%
Salary Increases	5.00% annually
Inflation	2.50%
COLA Adjustment	None
Mortality	RP-2000 Mortality Table

CITY OF ST. ALBANS, VERMONT
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Discount Rate: The discount rate was determined as follows:

	Long-Term Expected Real Rate of Return
Domestic Equity	4.50%
International Equity	5.50%
Fixed Income	3.00%
Real Estate	4.00%
Cash	1.00%
 Real Rate of Return	 3.57%
 Inflation Assumption	 2.50%
 Total Nominal Return (Discount Rate)	 6.07%

The discount rate used to measure the total pension liability was 6.07%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the net pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability: The change in the Net Pension Liability for the Plan follows.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 6,343,614	\$ 3,960,398	\$ 2,383,216
Changes for the year:			
Service cost	226,520	0	226,520
Interest	423,309	0	423,309
Changes in assumptions	335,956	0	335,956
Differences between actual and expected experience	(188,267)	0	(188,267)
Contributions - employer	0	200,000	(200,000)
Contributions - member	0	36,594	(36,594)
Net investment income	0	233,965	(233,965)
Administrative expenses	0	(31,191)	31,191
Benefit Payments, including refunds of member contributions	(449,104)	(449,104)	0
Net changes	348,414	(9,736)	358,150
Balances at June 30, 2015	\$ 6,692,028	\$ 3,950,662	\$ 2,741,366

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 6.07%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.07%) or one percentage point higher (7.07%) than the current rate.

Impact of a 1% Change in the Discount Rate		
	Discount Rate	Net Pension Liability
Current Rate	6.07%	2,741,366
1% Decrease	5.07%	3,440,469
1% Increase	7.07%	2,150,610

Pension Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2015 the City recognized pension expense of \$431,123. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows or resources related to the Plan from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 0	\$ 156,403
Changes in assumptions - Mortality	279,096	0
Net difference between projected and actual earnings on plan investments	4,334	0
Total	\$ 283,430	\$ 156,403

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized as pension expense as follows.

Year Ended June 30	
2016	\$ 26,080
2017	26,080
2018	26,080
2019	26,080
2020	22,707
Total	\$ 127,027

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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3. DEFERRED COMPENSATION PLAN

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 or VMERS may open a 457 account without a City match. Total employer contributions to the 457 Plan for the year were \$11,071.

B. 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.

C. 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 valuations as of April 1, the approved budgets and the State education property tax liability. Taxes are due and payable on August 29, November 26, February 27 and May 29, 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 2015 are as follows:

CITY OF ST. ALBANS, VERMONT
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	Residential	Non-Residential
Education	1.4413	1.5442
General City	.8044	.8044
Library	.0413	.0413
Library Bond	.0073	.0073
Veteran's Exemption	.0027	.0027
Total Tax Rate per \$100 of Assessed Value	2.2970	2.3999

D. 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. This cleanup met EPA requirements, however, additional cleanup costs will be necessary depending on the future use of the property.

E. 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.

F. SUBSEQUENT EVENTS

In a special election in September 2015, voters approved the issuance of bonds or notes in an amount not to exceed \$2.5 million for the purpose of reconstructing Fairfield Street, including sidewalks, curbs, and paving, as well as water, wastewater and stormwater infrastructure. Voters also approved bonds or notes in an amount not to exceed \$1,225,000 for the purpose of reconstructing sidewalks and curbs on Lake and Main Streets and voters approved bonds or notes in an amount not to exceed \$700,000 for the purpose of reconstructing the treatment filter at the Fairfax Reservoir.

Subsequent to year end, the City executed a lease/purchase agreement with Leasing 2, Inc. for a vector. The lease requires annual payments of \$34,357 beginning September 1, 2016 through September 1, 2021. Interest is 3.13% and it is secured by the vector.

CITY OF ST. ALBANS, VERMONT
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Also subsequent to year end, the City took over management of the Franklin Grand Isle Court Division program. This entity was merged with the City's Community Justice Center to form Franklin Grand Isle Restorative Justice Center. The City assumed a deficit of \$9,483 as part of the merger.

G. 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 wastewater system improvements. To date, the City has issued bonds totaling \$14.5 million of the \$16 million authorized.

In March 2015, voters authorized the City to re-direct up to \$1.5 million of TIF funds previously approved for the parking garage for the purpose of making streetscape improvements on Lake and Main Streets and brownfield cleanup at the hotel development site on Lake Street.

H. 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
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	Original/Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Property Taxes	\$ 3,938,426	\$ 4,052,390	\$ 113,964
Payments on Prior Year Taxes	300,000	0	(300,000)
Penalty on Taxes	35,000	27,465	(7,535)
Interest on Taxes	35,000	38,096	3,096
State Payments/RR Taxes	8,385	8,921	536
Interest on Savings	3,000	1,593	(1,407)
Public Works Garage Lease	33,097	36,900	3,803
City Hall Lease	47,437	53,100	5,663
PILOT	85,000	75,520	(9,480)
Insurance Reimbursements and Miscellaneous	35,000	77,408	42,408
City Clerk	100,500	108,319	7,819
Planning and Development	31,500	28,886	(2,614)
Assessing	22,900	22,212	(688)
Fire Department	77,500	112,563	35,063
Police, Dispatch and Animal Control	1,659,899	1,621,581	(38,318)
Community Justice Center	502,100	525,229	23,129
Parking Garage	0	61,948	61,948
Public Works and Parks	168,500	397,582	229,082
Recreation Programs	358,250	387,691	29,441
	<u>7,441,494</u>	<u>7,637,404</u>	<u>195,910</u>
Total Revenue			
EXPENDITURES			
Administration	387,667	393,137	(5,470)
City Clerk	73,089	67,460	5,629
Finance	54,445	46,023	8,422
Planning and Development	277,303	362,988	(85,685)
Planning and Development Capital	50,000	18,366	31,634
County and District Functions	211,683	226,477	(14,794)
Audit and Audit Consultants	11,000	8,908	2,092
Assessing	49,720	46,748	2,972
Debt Service - Principal	163,084	169,461	(6,377)
Debt Service - Interest	21,918	19,485	2,433
Professional Services - Legal	65,000	78,727	(13,727)
Fire Department	409,183	385,629	23,554
Fire Department Capital	52,947	48,923	4,024
Police, Dispatch and Animal Control	3,316,374	3,385,178	(68,804)
Police Department Capital	134,792	80,888	53,904
Community Justice Center	500,640	532,366	(31,726)
Parking Garage	0	37,859	(37,859)
Public Works, Highway, Parks	665,043	750,915	(85,872)
Public Works Capital	481,733	653,147	(171,414)
Recreation Programs	454,379	471,260	(16,881)
Recreation Capital	25,580	28,871	(3,291)
Library Bond and Expenses	35,914	67,002	(31,088)
	<u>7,441,494</u>	<u>7,879,818</u>	<u>(438,324)</u>
Total Expenditures			
Excess/(Deficiency) of Revenue Over Expenditures	<u>\$ 0</u>	(242,414)	<u>\$ (242,414)</u>
Fund Balance - July 1, 2014		<u>709,580</u>	
Fund Balance - June 30, 2015		<u>\$ 467,166</u>	

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, 2015

	2015	2014
Total Pension Liability:		
Service Cost	\$ 226,520	\$ 54,376
Interest	423,309	372,888
Changes in Assumptions	335,956	0
Differences Between Actual and Expected Experience	(188,267)	0
Benefit Payments, Including Refunds of Member Contributions	(449,104)	(432,133)
Net Change in Total Pension Liability	348,414	(4,869)
Total Pension Liability, beginning	6,343,614	6,348,483
Total Pension Liability, ending	6,692,028	6,343,614
Plan Fiduciary Net Position:		
Contributions - Employer	200,000	200,000
Contributions - Members	36,594	40,043
Net Investment Income	233,965	249,941
Benefit Payments, Including Refunds of Member Contributions	(449,104)	(432,133)
Administrative Expenses	(31,191)	(28,753)
Net Change in Fiduciary Net Position	(9,736)	29,098
Plan Fiduciary Net Position, beginning	3,960,398	3,931,300
Plan Fiduciary Net Position, ending	3,950,662	3,960,398
Net Pension Liability, ending	\$ 2,741,366	\$ 2,383,216
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.04%	62.43%
Covered Employee Payroll	\$ 508,580	\$ 538,265
Net Pension Liability as a Percentage of Covered Employee Payroll	539.02%	442.76%

Notes to the Schedule:

Benefit Changes: none

Changes in Assumptions:

For Fiscal Year 2015, the investment rate of return is 6.07% per year, previously 6.23% per year.

The assumed pre and post retirement mortality rates were based on the RP-2000 Mortality Table. This is a change from the previous year when mortality rates were based on the UP-84 Mortality Table (setback 1 year for males and 6 years for females).

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 AND INVESTMENT RETURNS
 PENSION TRUST FUND
 JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially Determined Contribution	\$ 494,618	\$ 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>200,000</u>	<u>161,606</u>	<u>209,825</u>	<u>153,737</u>	<u>201,136</u>
Contribution Deficiency/(Excess)	<u>\$ 294,618</u>	<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	\$ 508,580	538,265	647,286	714,519	471,413	471,413	628,509	1,290,469
Contributions as a Percentage of Covered-Employee Payroll	39.33%	37.16%	30.90%	27.99%	34.28%	44.51%	24.46%	15.59%
	<u>2015</u>	<u>2014</u>						
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.64%	4.98%						

Notes to the Schedule:

Valuation Date: June 30, 2015

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	Entry Age Normal
Amortization Method	15 Year Level Dollar
Remaining Amortization Period	15 Years
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	5.00%
Investment Rate of Return	6.07%
Retirement Age	55
Mortality	RP-2000 Mortality Table

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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2015

	2015
Total Plan Net Pension Liability	\$ 9,126,613
City's Proportion of the Net Pension Liability	1.4065%
City's Proportionate Share of the Net Pension Liability	\$ 128,361
City's Covered Employee Payroll	\$ 3,262,108
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	3.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability as of June 30, 2014	98.32%

Notes to the Schedule:

Benefit Changes: none

Changes in Assumptions: none

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

	2015
Contractually Required Contributions (Actuarially Determined)	\$ 199,673
Contributions in Relation to the Actuarially Determined Contributions	199,673
Contribution Excess/(Deficiency)	\$ 0
Covered Employee Payroll	\$ 3,262,108
Contributions as a Percentage of Covered Employee Payroll	6.12%

Notes to the Schedule:

Valuation Date: June 30, 2014

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 12,972	\$ 0	\$ 12,972
Receivables	12,942	331,997	344,939
Assets Held for Resale	201,606	0	201,606
Advances to Other Funds	50,476	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>107,385</u>	<u>0</u>	<u>107,385</u>
Total Assets	<u>\$ 385,381</u>	<u>\$ 331,997</u>	<u>\$ 717,378</u>
LIABILITIES			
Accounts Payable	\$ 12,511	\$ 153,090	\$ 165,601
Due to Other Funds	110,538	296,533	407,071
Advances from Other Funds	<u>0</u>	<u>131,395</u>	<u>131,395</u>
Total Liabilities	<u>123,049</u>	<u>581,018</u>	<u>704,067</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>107,725</u>	<u>265,044</u>	<u>372,769</u>
Total Deferred Inflows of Resources	<u>107,725</u>	<u>265,044</u>	<u>372,769</u>
FUND BALANCES (DEFICIT)			
Nonspendable	252,082	0	252,082
Restricted	11,972	0	11,972
Unassigned	<u>(109,447)</u>	<u>(514,065)</u>	<u>(623,512)</u>
Total Fund Balances/(Deficits)	<u>154,607</u>	<u>(514,065)</u>	<u>(359,458)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 385,381</u>	<u>\$ 331,997</u>	<u>\$ 717,378</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, 2015

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 435,890	\$ 343,996	\$ 779,886
Investment Income	120	0	120
Loan Repayments	966	0	966
Donations	95,200	0	95,200
Other Revenue	<u>0</u>	<u>440</u>	<u>440</u>
Total Revenues	<u>532,176</u>	<u>344,436</u>	<u>876,612</u>
EXPENDITURES			
Current:			
General Government	35,429	0	35,429
Public Safety	58,718	0	58,718
Culture and Recreation	411	0	411
Community Development	384,425	0	384,425
Capital Outlay:			
General Government	0	453,212	453,212
Public Works	<u>0</u>	<u>532,656</u>	<u>532,656</u>
Total Expenditures	<u>478,983</u>	<u>985,868</u>	<u>1,464,851</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>53,193</u>	<u>(641,432)</u>	<u>(588,239)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Long-Term Debt	0	350,000	350,000
Transfers In	<u>88,374</u>	<u>56,667</u>	<u>145,041</u>
Total Other Financing Sources	<u>88,374</u>	<u>406,667</u>	<u>495,041</u>
Net Change in Fund Balances	141,567	(234,765)	(93,198)
Fund Balances/(Deficit) - July 1, 2014	<u>13,040</u>	<u>(279,300)</u>	<u>(266,260)</u>
Fund Balances/(Deficit) - June 30, 2015	<u>\$ 154,607</u>	<u>\$ (514,065)</u>	<u>\$ (359,458)</u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	Community Development Fund	OJP and Police Grants Fund	VCDP Grants Fund	Fonda/Solo Building Fund	Taylor Park Trust Fund	Total
ASSETS						
Cash	\$ 7,841	\$ 0	\$ 0	\$ 0	\$ 5,131	\$ 12,972
Receivables	0	6,041	6,901	0	0	12,942
Assets Held for Resale	201,606	0	0	0	0	201,606
Advances to Other Funds	50,476	0	0	0	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>107,385</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>107,385</u>
Total Assets	<u>\$ 367,308</u>	<u>\$ 6,041</u>	<u>\$ 6,901</u>	<u>\$ 0</u>	<u>\$ 5,131</u>	<u>\$ 385,381</u>
LIABILITIES						
Accounts Payable	\$ 5,526	\$ 6,041	\$ 944	\$ 0	\$ 0	\$ 12,511
Due to Other Funds	<u>104,581</u>	<u>0</u>	<u>5,957</u>	<u>0</u>	<u>0</u>	<u>110,538</u>
Total Liabilities	<u>110,107</u>	<u>6,041</u>	<u>6,901</u>	<u>0</u>	<u>0</u>	<u>123,049</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	<u>107,385</u>	<u>0</u>	<u>340</u>	<u>0</u>	<u>0</u>	<u>107,725</u>
Total Deferred Inflows of Resources	<u>107,385</u>	<u>0</u>	<u>340</u>	<u>0</u>	<u>0</u>	<u>107,725</u>
FUND BALANCES (DEFICIT)						
Nonspendable	252,082	0	0	0	0	252,082
Restricted	6,841	0	0	0	5,131	11,972
Unassigned	<u>(109,107)</u>	<u>0</u>	<u>(340)</u>	<u>0</u>	<u>0</u>	<u>(109,447)</u>
Total Fund Balances/(Deficit)	<u>149,816</u>	<u>0</u>	<u>(340)</u>	<u>0</u>	<u>5,131</u>	<u>154,607</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 367,308</u>	<u>\$ 6,041</u>	<u>\$ 6,901</u>	<u>\$ 0</u>	<u>\$ 5,131</u>	<u>\$ 385,381</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, 2015

	Community Development Fund	OJP and Police Grants Fund	VCDP Grants Fund	Fonda/Solo Building Fund	Taylor Park Trust Fund	Total
REVENUES						
Intergovernmental	\$ 0	\$ 58,718	\$ 377,172	\$ 0	\$ 0	\$ 435,890
Investment Income	120	0	0	0	0	120
Loan Repayments	966	0	0	0	0	966
Donations	92,500	0	0	0	2,700	95,200
	<u>93,586</u>	<u>58,718</u>	<u>377,172</u>	<u>0</u>	<u>2,700</u>	<u>532,176</u>
Total Revenues						
EXPENDITURES						
Current:						
General Government	0	0	35,429	0	0	35,429
Public Safety	0	58,718	0	0	0	58,718
Culture and Recreation	0	0	0	0	411	411
Community Development	34,425	0	350,000	0	0	384,425
	<u>34,425</u>	<u>58,718</u>	<u>385,429</u>	<u>0</u>	<u>411</u>	<u>478,983</u>
Total Expenditures						
Excess/(Deficiency) of Revenue Over Expenditures	<u>59,161</u>	<u>0</u>	<u>(8,257)</u>	<u>0</u>	<u>2,289</u>	<u>53,193</u>
OTHER FINANCING SOURCES (USES)						
Transfer In	<u>0</u>	<u>0</u>	<u>7,917</u>	<u>80,457</u>	<u>0</u>	<u>88,374</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>7,917</u>	<u>80,457</u>	<u>0</u>	<u>88,374</u>
Net Change in Fund Balances	59,161	0	(340)	80,457	2,289	141,567
Fund Balances/(Deficit) - July 1, 2014	<u>90,655</u>	<u>0</u>	<u>0</u>	<u>(80,457)</u>	<u>2,842</u>	<u>13,040</u>
Fund Balances/(Deficit) - June 30, 2015	<u>\$ 149,816</u>	<u>\$ 0</u>	<u>\$ (340)</u>	<u>\$ 0</u>	<u>\$ 5,131</u>	<u>\$ 154,607</u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	<u>Federal Street Bypass Fund</u>	<u>City Hall Renovation Fund</u>	<u>Total</u>
ASSETS			
Receivables	\$ <u>331,997</u>	\$ <u>0</u>	\$ <u>331,997</u>
Total Assets	\$ <u><u>331,997</u></u>	\$ <u><u>0</u></u>	\$ <u><u>331,997</u></u>
LIABILITIES			
Accounts Payable	\$ 147,892	\$ 5,198	\$ 153,090
Due to Other Funds	255,626	40,907	296,533
Advances from Other Funds	<u>131,395</u>	<u>0</u>	<u>131,395</u>
Total Liabilities	<u>534,913</u>	<u>46,105</u>	<u>581,018</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>265,044</u>	<u>0</u>	<u>265,044</u>
Total Deferred Inflows of Resources	<u>265,044</u>	<u>0</u>	<u>265,044</u>
FUND BALANCES (DEFICIT)			
Unassigned	<u>(467,960)</u>	<u>(46,105)</u>	<u>(514,065)</u>
Total Fund Balances/(Deficit)	<u>(467,960)</u>	<u>(46,105)</u>	<u>(514,065)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u><u>331,997</u></u>	\$ <u><u>0</u></u>	\$ <u><u>331,997</u></u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Federal Street Bypass Fund	City Hall Renovation Fund	Total
REVENUES			
Intergovernmental Revenues	\$ 343,996	\$ 0	\$ 343,996
Other Revenue	<u>0</u>	<u>440</u>	<u>440</u>
Total Revenues	<u>343,996</u>	<u>440</u>	<u>344,436</u>
EXPENDITURES			
Capital Outlay	<u>532,656</u>	<u>453,212</u>	<u>985,868</u>
Total Expenditures	<u>532,656</u>	<u>453,212</u>	<u>985,868</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(188,660)</u>	<u>(452,772)</u>	<u>(641,432)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Long-Term Debt	0	350,000	350,000
Transfers In	<u>0</u>	<u>56,667</u>	<u>56,667</u>
Total Other Financing Sources	<u>0</u>	<u>406,667</u>	<u>406,667</u>
Net Change in Fund Balances	(188,660)	(46,105)	(234,765)
Fund Balance/(Deficit) - July 1, 2014	<u>(279,300)</u>	<u>0</u>	<u>(279,300)</u>
Fund Balance/(Deficit) - June 30, 2015	<u><u>\$ (467,960)</u></u>	<u><u>\$ (46,105)</u></u>	<u><u>\$ (514,065)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
TAX SALE ESCROW FUND				
ASSETS				
Cash and Cash Equivalents	\$ 136,133	\$ 19,073	\$ 138,454	\$ 16,752
Total Assets	<u>136,133</u>	<u>19,073</u>	<u>138,454</u>	<u>16,752</u>
LIABILITIES				
Due to Others	<u>136,133</u>	<u>19,073</u>	<u>138,454</u>	<u>16,752</u>
Total Liabilities	<u>\$ 136,133</u>	<u>\$ 19,073</u>	<u>\$ 138,454</u>	<u>\$ 16,752</u>
SAFF FUND				
ASSETS				
Cash and Cash Equivalents	\$ 11,500	\$ 300	\$ 219	\$ 11,581
Total Assets	<u>11,500</u>	<u>300</u>	<u>219</u>	<u>11,581</u>
LIABILITIES				
Accounts Payable	0	2,000	3	1,997
Due to Others	<u>11,500</u>	<u>300</u>	<u>2,216</u>	<u>9,584</u>
Total Liabilities	<u>\$ 11,500</u>	<u>\$ 2,300</u>	<u>\$ 2,219</u>	<u>\$ 11,581</u>
EXPLORER FUND				
ASSETS				
Cash and Cash Equivalents	\$ 0	\$ 712	\$ 168	\$ 544
Total Assets	<u>0</u>	<u>712</u>	<u>168</u>	<u>544</u>
LIABILITIES				
Accounts Payable	0	438	0	438
Due to Others	<u>0</u>	<u>106</u>	<u>0</u>	<u>106</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 544</u>	<u>\$ 0</u>	<u>\$ 544</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	\$ 147,633	\$ 20,085	\$ 138,841	\$ 28,877
Total Assets	<u>147,633</u>	<u>20,085</u>	<u>138,841</u>	<u>28,877</u>
LIABILITIES				
Accounts Payable	0	2,438	3	2,435
Due to Others	<u>147,633</u>	<u>19,479</u>	<u>140,670</u>	<u>26,442</u>
Total Liabilities	<u>\$ 147,633</u>	<u>\$ 21,917</u>	<u>\$ 140,673</u>	<u>\$ 28,877</u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Hazard Mitigation Grant	97.039	02140-34000-060 FEMA-DR-4022-VT	7,145	\$ 4,579
Hazard Mitigation Grant	97.039	02140-34000MC-060 FEMA-DR-4022-VT	143	94
Homeland Security Grant Program	97.067	02140-73164V-118 EMW-2013-SS-00063	20,600	16,000
Homeland Security Grant Program	97.067	02140-73164V-111 EMW-2013-SS-00063	151,006	88,595
Homeland Security Grant Program	97.067	02140-71264V-100 EMW-2011-SS-00038	7,200	<u>1,200</u>
Total U.S. Department of Homeland Security				<u>110,468</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-2012	350,000	<u>350,000</u>
Total U.S. Department of Housing and Urban Development				<u>350,000</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction	20.205	08126-CA0386	300,000	219,725
Highway Planning and Construction	20.205	08126-CA0322	300,000	57,085
Highway Planning and Construction	20.205	EA 8000017-100; CA0194	2,213,904	368,909
Highway Planning and Construction	20.205	TDG3049 Tiger 3	1,291,623	99
Passed through State of Vermont Department of Public Safety				
National Priority Safety Programs	20.616	02140-1415-4062	1,000	237
DUI Enforcement	20.608	02140-1115-5145	3,500	1,020
State and Community Highway Safety	20.600	02140-1415-2037	2,500	2,500
State and Community Highway Safety	20.600	02140-1415-1041	3,000	<u>2,597</u>
Total U.S. Department of Transportation				<u>652,172</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, 2015

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Justice</u>				
Direct Programs				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2010-WE-AX-0060	699,943	\$ 110,774
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2014-WE-AX-0046	299,921	19,699
Bulletproof Vest Partnership Program	16.607	2009BUBX08045029	19,387	2,824
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0180	14,597	2,921
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0236	81,245	19,225
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0368	14,251	14,251
Passed through State of Vermont Department of Corrections				
Second Chance Act Prisoner Reentry Initiative	16.812	03520-1404	30,000	22,500
CJC - Truancy	16.540	03440-20388-13	100,270	<u>26,964</u>
Total U.S. Department of Justice				<u>219,158</u>
Total				<u>\$ 1,331,798</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.

Subrecipients:

Of the Federal expenditures presented in the schedule, the City of St. Albans, Vermont provided Federal Awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
Community Development Block Grant	14.228	\$ 350,000

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Albans, Vermont, as of and for the year ended June 30, 2015 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 December 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.

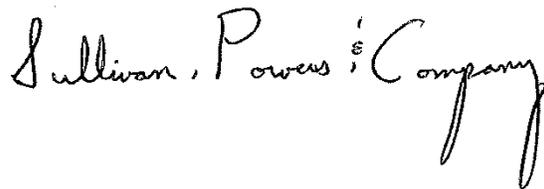
Compliance and Other Matters

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".

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.

December 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 long, sweeping tail on the word "Company".

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of St. Albans, Vermont's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Circular A-133 Compliance Supplement" that could have a direct and material effect on the City of St. Albans, Vermont's major federal program for the year ended June 30, 2015. 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, 2015.

Report on Internal Control Over Compliance

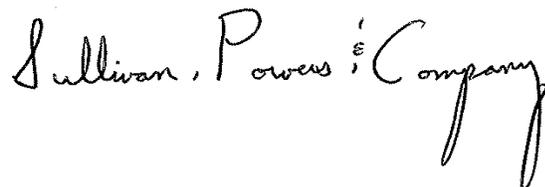
Management of the City of St. Albans, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of St. Albans, Vermont's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

February 8, 2016
Montpelier, Vermont
VT Lic. #92-000180



CITY OF ST. ALBANS, VERMONT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

There were no prior year audit findings noted.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

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>
14.228	Community Development Block Grants	U.S. Department of Housing and Urban Development

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.