

City of St. Albans, Vermont  
BASIC FINANCIAL STATEMENTS  
June 30, 2005

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the City of St. Albans, Vermont as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City of St. Albans, Vermont's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of St. Albans, Vermont as of June 30, 2005, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2005 on our consideration of the City of St. Albans, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

St. Albans, Vermont  
September 2, 2005

City of St. Albans, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

As management of the City of St. Albans, Vermont, we offer readers of the City's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the audited report.

**Financial Highlights**

The assets of the City of St. Albans exceeded its liabilities at the close of fiscal year 2005 by \$14,134,067. Of this amount, \$232,184 (unrestricted net assets), may be used by the various funds of the City to meet the ongoing obligations to its citizens and creditors.

At the close of FY 2005, the City of St. Albans governmental funds (General and Community Development) reported combined balances, all unreserved of \$257,730.

At the close of FY 2005, the net assets in the Proprietary Funds (Water and Wastewater) totaled \$12,208,021. The unreserved net assets in the Water Fund were \$66,167 while a negative balance of \$91,713 showed in wastewater net assets. Combined Proprietary Fund Net Assets (unreserved) were negative \$25,546.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of St. Albans basic financial statements. The City of St. Albans basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of St. Albans' finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City of St. Albans' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of St. Albans is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of St. Albans that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of St. Albans include general government, public safety, public works, recreation and parks, conservation and development, health and welfare and public improvements. The business-type activities of the City of St. Albans include water and wastewater operations.

The government-wide financial statements are designed to include not only the City of St. Albans itself (known as the primary government), but also any legally separate entities for which the City of St. Albans is financially accountable (known as component units). The City of St. Albans has no such entities that qualify as component units.

The government-wide financial statements can be found on pages 1 and 2.

City of St. Albans, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of St. Albans, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of St. Albans can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements 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. Such information may be useful in evaluation a government's near-term financing requirements.

The City of St. Albans maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and the Community Development Fund which are considered to be major funds.

The City of St. Albans adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements may by found on pages 3 and 4 of the basic financial statements.

**Proprietary funds**

The City of St. Albans maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of St. Albans uses enterprise funds to account for its Water Fund and its Wastewater Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and the Wastewater Fund, both of which are considered to be major funds of the City of St. Albans.

The basic proprietary fund financial statements may be found on pages 5 through 7 of the basic financial statements.

**Fiduciary funds**

Fiduciary funds are used to account for resources held 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 City of St. Albans' own programs.

City of St. Albans, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

The City of St. Albans currently administers three fiduciary funds. All of these funds are Agency Funds. The financial statements for all three funds can be found on page 8 of the basic financial statements.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes the Statement of Expenditures and budgetary comparison statements for funds other than the City's general fund, which is presented with the basic financial statements. The supplementary information can be found immediately following the notes to the financial statements in this report.

**Government-wide Financial Analysis**

**NET ASSETS**  
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$ 1,620,102	\$ 971,112	\$ 2,591,214
Capital Assets	<u>2,373,371</u>	<u>16,743,029</u>	<u>19,116,400</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,993,473</u></b>	<b><u>\$ 17,714,141</u></b>	<b><u>\$ 21,707,614</u></b>
<b>LIABILITIES</b>			
Long-term liabilities outstanding	\$ 593,805	\$ 4,306,785	\$ 4,900,590
Other liabilities	<u>1,473,622</u>	<u>1,199,335</u>	<u>2,672,957</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,067,427</u></b>	<b><u>\$ 5,506,120</u></b>	<b><u>\$ 7,573,547</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 1,493,316	\$ 12,233,567	\$ 13,726,883
Restricted	175,000	-	175,000
Unrestricted	<u>257,730</u>	<u>(25,546)</u>	<u>232,184</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,926,046</u></b>	<b><u>\$ 12,208,021</u></b>	<b><u>\$ 14,134,067</u></b>

City of St. Albans, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**NET ASSETS**  
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current and other assets	\$ 1,528,098	\$ 1,033,224	\$ 2,561,322
Capital assets	2,396,489	17,219,659	19,616,148
<b>TOTAL ASSETS</b>	<b>\$ 3,924,587</b>	<b>\$ 1,852,883</b>	<b>\$ 22,177,470</b>
<b>LIABILITIES</b>			
Long-term liabilities outstanding	\$ 881,558	\$ 4,510,752	\$ 5,392,310
Other liabilities	1,038,406	1,121,307	2,159,713
<b>TOTAL LIABILITIES</b>	<b>\$ 1,919,964</b>	<b>\$ 5,632,059</b>	<b>\$ 7,552,023</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 1,392,057	\$ 12,451,171	\$ 13,843,228
Unrestricted	612,566	169,652	782,218
<b>TOTAL NET ASSETS</b>	<b>\$ 2,004,623</b>	<b>\$ 12,620,823</b>	<b>\$ 14,625,446</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Albans, assets exceeded liabilities by \$14,134,067 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Albans' net assets (98%) reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of St. Albans uses these capital assets to provide services to its citizens: consequently, these assets are not available for future spending. Although the City of St. Albans' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the close of the fiscal year the City of St. Albans did not have any net assets that were subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$232,184) may be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has designated for particular purposes, such as capital reserve funds.

At the end of the current fiscal year, the City of St. Albans has a negative balance in unrestricted net assets for business type activities. All other categories had positive balances. For further information, refer to the Statement of Net Assets on page 1.

City of St. Albans, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**Financial Analysis of the Government's Funds**

The City of St. Albans uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

**CHANGE IN NET ASSETS**  
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES			
PROGRAM REVENUES			
Charges for services	\$ 839,902	\$ 2,824,922	\$ 3,664,824
Operating grants and revenues	1,387,749	31,674	1,419,423
Property taxes, levied for general purposes	2,807,088	-	2,807,088
Unrestricted investment earnings	<u>12,137</u>	<u>-</u>	<u>12,137</u>
TOTAL REVENUES	<u>5,406,876</u>	<u>2,856,596</u>	<u>7,903,472</u>
EXPENSES			
GOVERNMENTAL ACTIVITIES			
General government	609,126	-	609,126
Public safety	2,830,791	-	2,830,791
Public works	614,371	-	614,371
Recreation, health, education and welfare	448,228	-	448,228
Community development	399,211	-	399,211
Depreciation, unallocated	130,412	-	130,412
Interest on long-term debt	54,328	-	54,328
BUSINESS-TYPE ACTIVITIES			
Water	-	1,442,208	1,442,208
Sewer	<u>-</u>	<u>1,770,562</u>	<u>1,770,562</u>
TOTAL EXPENSES	5,086,467	3,212,770	8,299,237
OPERATING TRANSFER	<u>(19,175)</u>	<u>19,175</u>	<u>-</u>
CHANGES IN NET ASSETS	(58,766)	(366,999)	(395,765)
NET ASSETS, beginning of year	2,004,623	12,620,823	14,625,446
PRIOR PERIOD ADJUSTMENT	<u>(19,811)</u>	<u>(75,803)</u>	<u>(95,614)</u>
NET ASSETS, end of year	<u>\$ 1,926,046</u>	<u>\$ 12,208,021</u>	<u>\$ 14,134,067</u>

City of St. Albans, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**CHANGE IN NET ASSETS**  
June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
REVENUES			
PROGRAM REVENUES			
Charges for services	\$ 973,794	\$ 2,637,842	\$ 3,611,636
Operating grants and revenues	473,611	38,423	512,034
Property taxes, levied for general purposes	2,665,491	-	2,665,491
Unrestricted investment earnings	<u>23,440</u>	<u>-</u>	<u>23,440</u>
TOTAL REVENUES	<u>4,136,336</u>	<u>2,676,265</u>	<u>6,812,601</u>
EXPENSES			
GOVERNMENTAL ACTIVITIES			
General government	548,965	-	548,965
Public safety	2,127,636	-	2,127,636
Public works	531,022	-	531,022
Recreation, health, education and welfare	444,159	-	444,159
Community development	44,648	-	44,648
Depreciation, unallocated	111,066	-	111,066
Interest on long-term debt	61,798	-	61,798
BUSINESS-TYPE ACTIVITIES			
Water	-	1,377,312	1,377,312
Sewer	<u>-</u>	<u>1,674,132</u>	<u>1,674,132</u>
TOTAL EXPENSES	<u>3,869,294</u>	<u>3,051,444</u>	<u>6,920,738</u>
OPERATING TRANSFER	<u>(16,765)</u>	<u>-</u>	<u>(16,765)</u>
CHANGES IN NET ASSETS	250,277	(375,179)	(124,902)
NET ASSETS, beginning of year	1,754,346	12,352,322	14,106,668
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>643,680</u>	<u>643,680</u>
NET ASSETS, end of year	<u>\$ 2,004,623</u>	<u>\$ 12,620,823</u>	<u>\$ 14,625,446</u>

The focus of the City of St. Albans' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of St. Albans' financing requirements. In particular, unreserved 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 of St. Albans' governmental funds reported combined ending fund balances of \$292,459.

City of St. Albans, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**Capital Asset and Debt Administration**

**SUMMARY OF CAPITAL ASSETS & LONG-TERM DEBT**  
June 30, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Land	\$ 603,337	\$ 155,000	\$ 758,337
Buildings & Improvements	2,321,861	22,383,053	24,704,914
Machinery and Equipment	900,166	2,133,737	3,033,903
Infrastructure	225,130	-	225,130
Construction in Progress	-	5,769	5,769
	4,050,494	24,677,559	28,728,053
Less: Accumulated Depreciation	(1,677,123)	(7,934,530)	(9,611,653)
TOTAL ASSETS, net	\$ 2,373,371	\$ 16,743,029	\$ 19,116,400
<b>LONG-TERM DEBT</b>	\$ 880,055	\$ 4,509,462	\$ 5,389,517

**Capital Assets.** The City of St. Albans' investment in capital assets for its governmental activities is \$1,493,316. It is to be noted that we used the exemption allowed under GASB 34 to not include road and bridge investments prior to 1 July 2003. For our business-type activities as of June 30, 2005 our net capital investment is \$12,233,567.

**Long-term debt.** At the end of the current year, the City of St. Albans had total long-term debt outstanding of \$5,389,517.

The City of St. Albans' total debt decreased by \$383,403 during the year.

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

**The Future**

Some of the planned events and trends that will affect the financial future of the City of St. Albans include:

- Continued growth outside of the city, particularly in the areas covered by our water and wastewater utility.
- Completion of the water meter installation project for all utility customers and any affect new meters will have on revenue.
- The new federal transportation funds that will become available for the beginning of the St. Albans Multimodal Connector project, and any local match that may be required.
- The impact large retail businesses locating outside the city may have on our downtown.
- Continued investment in and promotion of our downtown district by the addition of a full-time executive director for St. Albans For The Future.

**Requests for Information**

The financial report is designed to provide a general overview of the City of St. Albans, Vermont's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of City Manager, 100 North Main St., P.O. Box 867, St. Albans, VT 05478.

City of St. Albans, Vermont  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF NET ASSETS  
 June 30, 2005

ASSETS

	Governmental Activities	Business-Type Activities	Total
<b>CURRENT ASSETS</b>			
Cash	\$ 199,386	\$ -	\$ 199,386
Cash - restricted	98,201	-	98,201
Taxes receivable	313,435	-	313,435
Accounts receivable	36,582	585,178	621,760
Other receivables	-	303,131	303,131
Due from other funds	568,516	82,803	651,319
Current portion notes receivable	220,772	-	220,772
TOTAL CURRENT ASSETS	1,436,892	971,112	2,408,004
NOTES RECEIVABLE, net of current portion	183,210	-	183,210
CAPITAL ASSETS, net	2,373,371	16,743,029	19,116,400
TOTAL ASSETS	\$ 3,993,473	\$ 17,714,141	\$ 21,707,614

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>			
Current portion notes and bonds payable	\$ 286,250	\$ 202,677	\$ 488,927
Tax anticipation note	400,000	-	400,000
Accounts payable	219,979	95,364	315,343
Accrued liabilities	419,167	324,325	743,492
Deferred revenue	73,875	-	73,875
Due to other funds	74,351	576,969	651,320
TOTAL CURRENT LIABILITIES	1,473,622	1,199,335	2,672,957
NOTES AND BONDS PAYABLE	593,805	4,306,785	4,900,590
TOTAL LIABILITIES	2,067,427	5,506,120	7,573,547
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,493,316	12,233,567	13,726,883
Restricted	175,000	-	175,000
Unrestricted	257,730	(25,546)	232,184
NET ASSETS	1,926,046	12,208,021	14,134,067
TOTAL LIABILITIES AND NET ASSETS	\$ 3,993,473	\$ 17,714,141	\$ 21,707,614

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont  
 GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Revenues	Capital Grants and Revenues	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>							
Governmental activities							
General government	\$ 609,126	\$ 114,956	\$ 109,343	\$ -	\$ (384,827)	\$ -	\$ (384,827)
Public safety	2,830,791	210,637	616,279	-	(2,003,875)	-	(2,003,875)
Public works	614,371	313,674	306,358	-	5,661	-	5,661
Recreation, health, education and welfare	448,228	152,664	53,711	-	(241,853)	-	(241,853)
Community development	399,211	47,971	242,394	-	(108,846)	-	(108,846)
Depreciation, unallocated	130,412	-	-	-	(130,412)	-	(130,412)
Interest on long-term debt	54,328	-	59,664	-	5,336	-	5,336
Total governmental activities	<u>5,086,467</u>	<u>839,902</u>	<u>1,387,749</u>	<u>-</u>	<u>(2,858,816)</u>	<u>-</u>	<u>(2,858,816)</u>
Business-type activities:							
Water	1,442,208	1,316,179	11,225	-	-	(114,804)	(114,804)
Sewer	<u>1,770,562</u>	<u>1,508,743</u>	<u>20,449</u>	<u>-</u>	<u>-</u>	<u>(241,370)</u>	<u>(241,370)</u>
Total business-type activities	<u>3,212,770</u>	<u>2,824,922</u>	<u>31,674</u>	<u>-</u>	<u>-</u>	<u>(356,174)</u>	<u>(356,174)</u>
General Revenues:							
Property taxes, levied for general purposes					2,807,088	-	2,807,088
Unrestricted investment earnings					12,137	-	12,137
Operating transfer					(19,175)	19,175	-
Total general revenues and transfers					<u>2,800,050</u>	<u>19,175</u>	<u>2,819,225</u>
Change in Net Assets							
Net assets, beginning					(58,766)	(336,999)	(395,765)
Prior period adjustment					2,004,623	12,620,823	14,625,446
Net assets, ending					<u>(19,811)</u>	<u>(75,803)</u>	<u>(95,614)</u>
					<u>\$ 1,926,046</u>	<u>\$ 12,208,021</u>	<u>\$ 14,134,067</u>

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2005

	Governmental Fund Types		
	General	Community Development	Totals (Memorandum Only)
<b>ASSETS</b>			
Cash	\$ 131,138	\$ 68,248	\$ 199,386
Cash - restricted	98,201	-	98,201
Receivables (net of allowances for uncollectibles)			
Taxes, including interest and penalties	313,435	-	313,435
Accounts	34,598	1,984	36,582
Due from other funds	494,166	74,350	568,516
<b>TOTAL ASSETS</b>	<b>\$ 1,071,538</b>	<b>\$ 144,582</b>	<b>\$ 1,216,120</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 219,912	\$ 66	\$ 219,978
Deferred Revenue	70,259	3,617	73,876
Other Accrued Expenses	155,457	-	155,457
Due to other Funds	74,350	-	74,350
Tax Anticipation Notes	400,000	-	400,000
<b>TOTAL LIABILITIES</b>	<b>919,978</b>	<b>3,683</b>	<b>923,661</b>
<b>FUND BALANCE</b>			
Restricted	175,000	-	175,000
Unreserved	(23,440)	140,899	117,459
<b>TOTAL FUND BALANCE</b>	<b>151,560</b>	<b>140,899</b>	<b>292,459</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,071,538</b>	<b>\$ 144,582</b>	<b>\$ 1,216,120</b>

See Accompanying Notes to Financial Statements.

City of St. Albans, Vermont  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2005

<b>Total fund balances - governmental funds</b>	\$ 292,459
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	2,373,370
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Community Development Notes Receivable	403,982
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:	
Accrued post retirement benefits	(8,231)
Accrued comptime	(8,225)
Accrued vacation	(247,254)
Notes and bonds payable	<u>(880,055)</u>
<b>Total net assets - governmental activities</b>	<u>\$ 1,926,046</u>

City of St. Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2005

	Governmental Fund Types		
	General	Community Development	Total Governmental Funds
<b>REVENUES</b>			
Taxes, interest and penalties	\$ 2,966,382	\$ -	\$ 2,966,382
Licenses and permits	53,192	-	53,192
Intergovernmental	130,151	447,081	577,232
Charges for services	402,956	-	402,956
Recreation Department	162,358	-	162,358
Fines	42,191	-	42,191
Interest on savings	11,166	971	12,137
Grant Revenue	292,701	-	292,701
Miscellaneous	38,581	47,862	86,443
Rent	-	49,475	49,475
Loan repayments	-	48,618	48,618
<b>TOTAL REVENUES</b>	<u>4,099,678</u>	<u>594,007</u>	<u>4,693,685</u>
<b>EXPENDITURES</b>			
Current:			
General government	393,592	443,827	837,419
Public safety	2,294,410	261	2,294,671
Highways and streets	548,065	-	548,065
Sanitation	7,650	-	7,650
Parks and recreation	256,818	8,969	265,787
Miscellaneous	216,519	-	216,519
Grant expenditures	293,284	-	293,284
Economic development and assistance	-	154,938	154,938
Debt Service	95,041	34,000	129,041
<b>TOTAL EXPENDITURES</b>	<u>4,105,379</u>	<u>641,995</u>	<u>4,747,374</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(5,701)	(47,988)	(53,689)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfer out	(19,175)	-	(19,175)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(24,876)	(47,988)	(72,864)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	186,342	188,887	375,229
<b>PRIOR PERIOD ADJUSTMENT</b>	(9,906)	-	(9,906)
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 151,560</u>	<u>\$ 140,899</u>	<u>\$ 292,459</u>

See Accompanying Notes to Basis Financial Statements.

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, 2005

**Net change in fund balances - governmental funds** \$ (72,864)

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

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

Depreciation (130,412)

Capital outlays 107,294

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net assets. 124,376

Payment of post retirement benefits are expenditures in the  
governmental funds, but the repayment reduces long-term liabilities  
in the statement of net assets. 2,394

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds.  
Notes receivable collected (77,536)

Loans provided to outside organizations are expenditures in the  
governmental funds, but issuing the debt increases assets in the  
statement of net assets. Losses are recognized in the year that  
it is determined that loans will not be collectible  
New loans 10,000  
Losses on uncollectible loans (13,942)

Expenses in the statement of activities that do not require the use  
of current financial resources and are not reported as  
expenditures in the funds:  
Accrued compensation (8,076)

**Change in net assets of governmental activities** \$ (58,766)

City of St. Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2005

	Business-Type Activities		
	Water Fund	Wastewater Fund	Totals (Memorandum Only)
<u>ASSETS</u>			
CURRENT ASSETS			
Accounts receivable	\$ 278,288	\$ 306,890	\$ 585,178
Unbilled revenue	138,847	164,284	303,131
Due from other funds	-	82,803	82,803
TOTAL CURRENT ASSETS	417,135	553,977	971,112
CAPITAL ASSETS			
Land	155,000	-	155,000
Building and improvements	7,279,502	15,103,551	22,383,053
Machinery and equipment	342,184	1,791,553	2,133,737
Construction in progress	5,769	-	5,769
Accumulated Depreciations	(1,997,405)	(5,937,125)	(7,934,530)
CAPITAL ASSETS, net	5,785,050	10,957,979	16,743,029
TOTAL ASSETS	\$ 6,202,185	\$ 11,511,956	\$ 17,714,141
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 41,705	\$ 53,659	\$ 95,364
Other accrued expenses	170,930	153,395	324,325
Due to other funds	138,333	438,636	576,969
Current Portion to General Obligation Bonds	61,121	-	61,121
Current Portion General Obligation Notes Payable	65,575	75,981	141,556
TOTAL CURRENT LIABILITIES	477,664	721,671	1,199,335
LONG-TERM LIABILITIES			
General Obligation Bonds, net of current portion	3,930,914	-	3,930,914
General Obligation Notes Payable, net of current portion	190,074	185,797	375,871
TOTAL LONG-TERM LIABILITIES	4,120,988	185,797	4,306,785
TOTAL LIABILITIES	4,598,652	907,468	5,506,120
NET ASSETS			
Invested in Capital Assets, net of debt	1,537,366	10,696,201	12,233,567
Unreserved	66,167	(91,713)	(25,546)
TOTAL NET ASSETS	1,603,533	10,604,488	12,208,021
TOTAL LIABILITIES AND NET ASSETS	\$ 6,202,185	\$ 11,511,956	\$ 17,714,141

See Accompanying Notes to Basic Financial Statements

City of St. Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals (Memorandum Only)</u>
OPERATING REVENUE			
Charges for Services	\$ 1,316,179	\$ 1,508,743	\$ 2,824,922
OPERATING EXPENSES			
Personal services	543,155	595,331	1,138,486
Other purchased services	125,038	151,068	276,106
Supplies	138,436	229,489	367,925
Repairs and maintenance	78,418	299,106	377,524
Utilities and telephone	161,303	142,072	303,375
Real estate taxes	46,634	4,174	50,808
Depreciation and amortization	<u>160,615</u>	<u>338,164</u>	<u>498,779</u>
TOTAL OPERATING EXPENSES	<u>1,253,599</u>	<u>1,759,404</u>	<u>3,013,003</u>
OPERATING INCOME/ (LOSS)	<u>62,580</u>	<u>(250,661)</u>	<u>(188,081)</u>
NON-OPERATING REVENUE (EXPENSE)			
Interest Income	6,672	20,449	27,121
Grant Income	4,553	-	4,553
Interest Expense	(188,609)	(11,158)	(199,767)
Transfer In	<u>-</u>	<u>19,175</u>	<u>19,175</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(177,384)</u>	<u>28,466</u>	<u>(148,918)</u>
NET LOSS	(114,804)	(222,195)	(336,999)
NET ASSETS BEGINNING OF YEAR	1,770,922	10,849,901	12,620,823
PRIOR PERIOD ADJUSTMENT	<u>(52,585)</u>	<u>(23,218)</u>	<u>(75,803)</u>
NET ASSETS END OF YEAR	<u>\$ 1,603,533</u>	<u>\$ 10,604,488</u>	<u>\$ 12,208,021</u>

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,328,584	\$ 1,493,747	\$ 2,822,331
Payments to suppliers	(491,923)	(808,991)	(1,300,914)
Payments for employees and benefits	(545,897)	(598,405)	(1,144,302)
Other receipts (payments)	<u>(46,634)</u>	<u>(4,174)</u>	<u>(50,808)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>244,130</u>	<u>82,177</u>	<u>326,307</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipts from other funds	108,395	45,391	153,786
Grants	<u>4,553</u>	<u>-</u>	<u>4,553</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>112,948</u>	<u>45,391</u>	<u>158,339</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfer in	-	19,175	19,175
Acquisition of capital assets	(52,026)	(20,123)	(72,149)
Payments of interest	(188,609)	(11,158)	(199,767)
Principal reduction of notes and bonds payable	<u>(123,115)</u>	<u>(135,911)</u>	<u>(259,026)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(363,750)</u>	<u>(148,017)</u>	<u>(511,767)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of interest	<u>6,672</u>	<u>20,449</u>	<u>27,121</u>
NET INCREASE IN CASH	-	-	-
CASH - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
CASH - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income(loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 62,580	\$ (250,661)	\$ (188,081)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	160,615	338,164	498,779
Change in net assets and liabilities:			
Receivables, net	12,405	(3,159)	9,246
Deferred revenue	-	(11,837)	(11,837)
Accounts payable	11,272	12,744	24,016
Other accrued expenses	<u>(2,742)</u>	<u>(3,074)</u>	<u>(5,816)</u>
Net cash provided by operating activities	<u>\$ 244,130</u>	<u>\$ 82,177</u>	<u>\$ 326,307</u>

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET ASSETS  
 FUDICIARY FUNDS  
 June 30, 2005

	Agency Fund			
	Downtown Designation	Rose Toutant Trust	State Fee/ Payroll	Total
<u>ASSETS</u>				
Cash	\$ 4,154	\$ 107,079	\$ 17,677	\$ 128,910
TOTAL ASSETS	\$ 4,154	\$ 107,079	\$ 17,677	\$ 128,910
 <u>LIABILITIES AND NET ASSETS</u>				
Due to others	\$ 4,154	\$ 107,079	\$ 17,677	\$ 128,910
TOTAL LIABILITIES AND NET ASSETS	\$ 4,154	\$ 107,079	\$ 17,677	\$ 128,910

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a council-manager form of government and provides the following services: public safety (police, ambulance, fire and animal control), highways and streets, sanitation, parks and recreation, planning and zoning, and general administrative services.

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Fiduciary Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Included in this fund is the Rose Toutant account totaling \$107,079 from an estate without any heirs. This money is due to the school after a period not to exceed seventeen years if the money is not claimed before that period.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

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

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

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

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City maintains one cash account in the general fund to collect money and pay bills for all funds. When money is collected and expended, the City records a corresponding payable or receivable to the appropriate fund. This helps manage cash and eases administrative burdens. As a result, no cash is reflected in the water or wastewater funds.

E. Receivables and Payables

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

F. Capital Assets

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

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

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

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

G. Long-term Obligations

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

H. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

City of St. Albans, Vermont  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2005

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Estimates

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

NOTE 2      DELINQUENT TAXES RECEIVABLE

J. Allowance for Uncollectible Accounts

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

K. Operating Transfers

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

Delinquent taxes receivable consist of:

	<u>General Fund</u>
Delinquent property taxes	\$ 338,296
Penalties on taxes receivable	25,086
Interest on taxes receivable	33,635
Deferred Revenue	(63,582)
	333,435
Allowance for uncollectible delinquent taxes	(20,000)
	\$ 313,435

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

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

NOTE 3      INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at June 30, 2005:

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 3 INTERFUND RECEIVABLE AND PAYABLE BALANCES (continued)

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 494,166	\$ 74,350
Water Fund	-	138,333
Wastewater Fund	82,803	438,636
Community Development Fund	74,350	-
	\$ 651,319	\$ 651,319

NOTE 4 ACCRUED COMPENSATION

At June 30, 2005, the City had the following vested benefits earned by their employees:

Vested Compensation – Water	\$ 92,833
Vested Compensation – Waste Water	142,250
Vested Compensation - General	410,071
TOTAL	\$ 645,154

NOTE 5 NOTES AND BONDS PAYABLE

The following is a summary of changes in notes and bonds payable for the year ended June 30, 2005:

<u>Business-Type Funds</u>	<u>Beginning Balance 7/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2005</u>
Note payable to the Peoples Trust Company, interest at 2.70%. Annual principal and interest payment of \$129,902. Maturing January 23, 2009. (This note is being serviced - principal and interest – 50 percent by the Water Fund and 50 percent by the Wastewater Fund)	\$ 600,000	\$ -	\$ 113,614	\$ 486,386
Note payable to Leo Benoit, interest at 8%, due February 1, 2007. (This note is being serviced - principal and interest - by the Water Fund)	19,172	-	6,716	12,456
Note payable to ICAP, interest at 5%, due June, 2006. (This note is being serviced – principal and interest – by the Wastewater Fund)	36,264	-	17,680	18,584

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 5      NOTES AND BONDS PAYABLE (continued)

<u>Business-Type Funds</u>	<u>Beginning Balance 7/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2005</u>
<p>Wastewater System Improvement bonds issued  June 6, 1984, refunded August 15, 1986 and again  on February 10, 1999; interest at 7.25% due in  varying annual installments payable to Bankers  Trust Company, New York (this issue is being  serviced - principal and interest - by the  Wastewater Enterprise Fund). Matures 2005.</p>	61,424	-	61,424	-
<p>Water System Improvement bond issued February  14, 1996, interest at 4.50% due in varying annual  installments payable to U.S. Department of Agri-  culture. (This issue is being serviced – principal  and interest – by the Water Enterprise Fund).  Matures February 14, 2036.</p>	<u>4,051,628</u>	-	<u>59,592</u>	<u>3,992,036</u>
<p>Total Business-Type Funds</p>	<u>\$ 4,768,488</u>	<u>\$ -</u>	<u>\$ 259,026</u>	<u>\$ 4,509,462</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 202,676	\$ 194,647	\$ 397,323
2007	189,777	187,197	376,974
2008	189,874	180,270	370,144
2009	196,781	173,733	370,514
2010	73,029	167,213	240,242
Thereafter	<u>3,657,325</u>	<u>2,587,809</u>	<u>6,245,134</u>
	<u>\$ 4,509,462</u>	<u>\$ 3,490,869</u>	<u>\$ 8,000,331</u>

<u>Governmental Activities</u>	<u>Beginning Balance 7/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2005</u>
<p>Note payable to the Peoples Trust Company for  the purchase of the land on Federal Street;  interest at 6.75% with monthly payments of  \$600.48. This note matures October 19, 2005.</p>	\$ 9,252	\$ -	\$ 6,748	\$ 2,504

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 5      NOTES AND BONDS PAYABLE (continued)

<u>Governmental Activities (continued)</u>	<u>Beginning Balance 7/1/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2005</u>
Note payable to the Peoples Trust Company, Interest at 5.5%, maturing September 5, 2005. (This note is being serviced – principal and interest – by the Community Development Fund)	236,629	-	16,112	220,517
Note payable to the Banknorth, N.A., interest at 6.3%, due October 30, 2005. (This note is being serviced – principal and interest – by the General Fund)	12,000	-	12,000	-
Note payable to the Peoples Trust Company for the Property located on South Main Street; interest at 5.25% with annual principal payments of \$10,000 plus interest. This note matures April, 2005.	10,000	-	10,000	-
Note payable to the Peoples Trust Company for the Nason Street property; interest at 5.25%, due in monthly payments of \$997.17. This note matures May 1, 2017.	111,548	-	6,181	105,367
Note payable to Banknorth, N.A. for the purchase of a fire truck; interest at 6.45% with monthly payments of \$1,389. This note matures June 12, 2015.	183,333	-	16,666	166,667
Note payable to Peoples Trust Company for the capital improvements; interest at 5.25% with annual payments of \$16,666 plus interest. This note matures June 30, 2005.	16,670	-	16,670	-
Library bond issued July 22, 1999; interest at 5.0% with semi-annual payments of \$40,000 plus interest. This matures December 1, 2014.	<u>425,000</u>	<u>-</u>	<u>40,000</u>	<u>385,000</u>
Total Governmental Activities	<u>\$ 1,004,432</u>	<u>\$ -</u>	<u>\$ 124,377</u>	<u>\$ 880,055</u>

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 5 NOTES AND BONDS PAYABLE (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 286,250	\$ 36,665	\$ 322,915
2007	63,582	30,386	93,968
2008	63,955	27,103	91,058
2009	64,347	23,717	88,064
2010	64,760	20,291	85,051
Thereafter	<u>337,161</u>	<u>50,336</u>	<u>387,497</u>
	<u>\$ 880,055</u>	<u>\$ 188,498</u>	<u>\$ 1,068,553</u>

NOTE 6 DEPOSITS AND INVESTMENTS

At June 30, 2005, the carrying amount of the government's deposits was \$426,497 and the bank balance was \$565,993 of which \$313,868 was covered by the federal depository insurance corporation and \$252,125 was covered by the right to offset mortgage loans with local banks.

NOTE 7 BUDGETARY INFORMATION

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

NOTE 8 PENSION PLAN

Plan Description

The City of St. Albans Pension Plan is a single-employer defined benefit pension plan administered by the City of St. Albans. The City of St. Albans Pension Plan provides retirement, disability and death benefits to plan members and beneficiaries.

Funding Policy

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

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 8 PENSION PLAN (continued)

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$	74,304
Normal Cost		42,144
Administrative expenses		16,511
Interest on net pension obligation		<u>8,734</u>
Annual pension cost		141,693
Contributions made		<u>(117,325)</u>
Increase (decrease) in net pension obligation		24,368
Net pension obligation beginning of year		<u>117,325</u>
Net pension obligation end of year	\$	<u>141,693</u>

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increases of 5% per year, compounded annually, attributable to inflation, (c) the assumption that benefits will not increase after retirement. The unfunded actuarial accrued liability is being amortized over a 30-year period. The remaining amortization period at December 30, 2004 was 10 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension Obligation
6/30/03	\$ 94,473	100.0%	\$ 0
6/30/04	117,325	100.0%	0
6/30/05	141,693	100.0%	0

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/02	2,282,695	3,030,472	747,777	75.3	1,713,222	43.6
1/1/03	2,476,465	3,185,852	709,387	77.7	1,821,693	38.9
1/1/04	2,707,177	3,374,220	667,043	80.3	1,976,059	33.8

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 9 BUDGET EXCEPTIONS

General fund expenditures exceeded budgeted appropriations by \$459,976 for the year ended June 30, 2005. This was offset by actual revenues exceeding budget by \$454,275.

NOTE 10 RESTRICTED CASH

The city had \$98,201 restricted cash to be used for reappraisal at June 30, 2005:

NOTE 11 PRIOR PERIOD ADJUSTMENT

The beginning fund balance was adjusted in the following funds:

	General Fund	Water Fund	Sewer Fund
Increase in the estimated portion of Comp-time payable (this had previously not been recorded)	\$ 9,906	\$ 2,585	\$ 23,218
Error in calculating prior year Accumulated Depreciation	-	50,000	-
TOTAL	\$ 9,906	\$ 52,585	\$ 23,218

NOTE 12 RESTRICTED FUND BALANCE

\$175,000 was restricted for Public Works by voter approval at June 30, 2004.

NOTE 13 SUBSEQUENT EVENT

On March 1, 2005 the voters of the City of St. Albans authorized borrowing an amount not to exceed \$1,200,000 for the purpose of replacement of all metering devices in the water system and the addition of radio equipment and computers to assure accurate measurement and billing. At June 30, 2005, no amounts had been borrowed. \$5,769 had been expended on this project and is reflected as construction in progress in the water fund.

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 14 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 603,337	\$ -	\$ -	\$ 603,337
Capital assets, being depreciated				
Buildings and improvements	2,298,911	22,950	-	2,321,861
Machinery and Equipment	883,166	17,000	-	900,166
Infrastructure	157,786	67,344	-	225,130
Total capital assets, being depreciated	3,339,863	107,294	-	3,447,157
Accumulated depreciation for				
Buildings and improvements	(1,147,251)	(42,305)	-	(1,189,556)
Machinery and Equipment	(398,150)	(82,634)	-	(480,784)
Infrastructure	(1,310)	(5,473)	-	(6,783)
Total accumulated depreciation	(1,546,711)	(130,412)	-	(1,677,123)
Total capital assets, being depreciated, net	1,793,152	(23,118)	-	1,770,034
Governmental activities, capital assets, net	\$ 2,396,489	\$ (23,118)	\$ -	\$ 2,373,371
<b>Business-type activities:</b>				
Water utility:				
Capital assets, not being depreciated				
Land	\$ 155,000	\$ -	\$ -	\$ 155,000
Construction in progress	-	5,769	-	5,769
Total capital assets, not being depreciated	155,000	5,769	-	160,769
Capital assets, being depreciated				
Buildings and improvements	7,267,902	11,600	-	7,279,502
Machinery and equipment	307,527	34,656	-	342,183
Total capital assets, being depreciated	7,575,429	46,256	-	7,621,685

City of St. Albans, Vermont  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2005

NOTE 14 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation for				
Buildings and improvements	(1,636,142)	(144,467)	-	(1,780,609)
Machinery and equipment	<u>(200,648)</u>	<u>(16,147)</u>	<u>-</u>	<u>(216,795)</u>
Total accumulated depreciation	<u>(1,836,790)</u>	<u>(160,614)</u>	<u>-</u>	<u>(1,997,404)</u>
Total capital assets, being depreciated, net	<u>5,738,639</u>	<u>(114,358)</u>	<u>-</u>	<u>5,624,281</u>
Water utility, capital assets, net	<u>5,893,639</u>	<u>(108,589)</u>	<u>-</u>	<u>5,785,050</u>
Wastewater utility:				
Capital assets, being depreciated				
Buildings and improvements	15,092,751	10,800	-	15,103,551
Machinery and equipment	<u>1,782,230</u>	<u>9,323</u>	<u>-</u>	<u>1,791,553</u>
Total capital assets, being depreciated	<u>16,874,981</u>	<u>20,123</u>	<u>-</u>	<u>16,895,104</u>
Accumulated depreciation for				
Buildings and improvements	(4,365,965)	(265,745)	-	(4,631,710)
Machinery and equipment	<u>(1,233,121)</u>	<u>(72,294)</u>	<u>-</u>	<u>(1,305,415)</u>
Total accumulated depreciation	<u>(5,599,086)</u>	<u>(338,039)</u>	<u>-</u>	<u>(5,937,125)</u>
Total capital assets, being depreciated, net	<u>11,275,895</u>	<u>(317,916)</u>	<u>-</u>	<u>10,957,979</u>
Wastewater utility, capital assets, net	<u>11,275,895</u>	<u>(317,916)</u>	<u>-</u>	<u>10,957,979</u>
Business-type activities, capital assets, net	<u>\$ 17,169,534</u>	<u>\$ (426,505)</u>	<u>\$ -</u>	<u>\$ 16,743,029</u>

City of St. Albans, Vermont  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes, interest and penalties	\$ 2,926,903	\$ 2,926,903	\$ 2,966,382	\$ 39,479
Licenses and permits	45,000	45,000	53,192	8,192
Intergovernmental	127,500	127,500	130,151	2,651
Charges for services	353,000	353,000	402,956	49,956
Recreation Department	132,000	132,000	162,358	30,358
Fines	25,000	25,000	42,191	17,191
Interest on savings	15,000	15,000	11,166	(3,834)
Grant Revenue	-	-	292,701	292,701
Miscellaneous	21,000	21,000	38,581	17,581
<b>TOTAL REVENUES</b>	<u>3,645,403</u>	<u>3,645,403</u>	<u>4,099,678</u>	<u>454,275</u>
<b>EXPENDITURES</b>				
Current:				
General government	398,069	398,069	393,592	4,477
Public safety	2,227,793	2,227,793	2,294,410	(66,617)
Highways and streets	524,670	524,670	548,065	(23,395)
Sanitation	7,750	7,750	7,650	100
Parks and recreation	224,928	224,928	256,818	(31,890)
Miscellaneous	175,713	175,713	216,519	(40,806)
Grant expenditures	-	-	293,284	(293,284)
Debt Service	86,480	86,480	95,041	(8,561)
<b>TOTAL EXPENDITURES</b>	<u>3,645,403</u>	<u>3,645,403</u>	<u>4,105,379</u>	<u>(459,976)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(5,701)</u>	<u>(5,701)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer out	-	-	(19,175)	(19,175)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>-</u>	<u>-</u>	<u>(24,876)</u>	<u>(24,876)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	186,342	186,342	186,342	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(9,906)</u>	<u>(9,906)</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 186,342</u>	<u>\$ 186,342</u>	<u>\$ 151,560</u>	<u>\$ (34,782)</u>

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont  
OTHER SUPPLEMENTARY INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
City Council				
Personal services	\$ 840	\$ 840	\$ 834	\$ 6
Other purchased services	500	500	2,803	(2,303)
Total City Council	1,340	1,340	3,637	(2,297)
City Manager				
Personal services	144,401	144,401	142,357	2,044
Supplies	62,460	62,460	34,521	27,939
Other purchased services	3,400	3,400	14,261	(10,861)
Total City Manager	210,261	210,261	191,139	19,122
Elections				
	6,000	6,000	5,893	107
Financial Administration				
Personal services	138,418	138,418	143,476	(5,058)
Supplies	11,150	11,150	12,426	(1,276)
Other purchased services	30,900	30,900	37,021	(6,121)
Total Financial Administration	180,468	180,468	192,923	(12,455)
Total General Government	398,069	398,069	393,592	4,477
Public Safety				
Police				
Personal services	992,826	992,826	996,295	(3,469)
Supplies	11,000	11,000	11,121	(121)
Other purchased services	22,150	22,150	27,943	(5,793)
Property	17,500	17,500	15,450	2,050
Total Police	1,043,476	1,043,476	1,050,809	(7,333)
Ambulance Services				
	65,250	65,250	65,250	-
Fire				
Personal services	766,220	766,220	809,138	(42,918)
Other purchased services	10,550	10,550	10,932	(382)
Property	30,250	30,250	30,059	191
Total Fire	807,020	807,020	850,129	(43,109)
Animal Control				
Supplies	1,000	1,000	245	755
Other purchased services	13,840	13,840	13,979	(139)
Total Animal Control	14,840	14,840	14,224	616

City of St. Albans, Vermont  
OTHER SUPPLEMENTARY INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Safety (cont'd)				
Dispatching				
Personal services	248,207	248,207	261,107	(12,900)
Supplies	12,000	12,000	11,617	383
Other purchased services	34,000	34,000	36,514	(2,514)
Property	3,000	3,000	4,760	(1,760)
Total Dispatching	<u>297,207</u>	<u>297,207</u>	<u>313,998</u>	<u>(16,791)</u>
Total Public Safety	<u>2,227,793</u>	<u>2,227,793</u>	<u>2,294,410</u>	<u>(66,617)</u>
Highways and Streets				
Administration				
Personal Services	39,740	39,740	42,532	(2,792)
Supplies	67,250	67,250	67,745	(495)
Other purchased services	23,300	23,300	27,648	(4,348)
Property	30,500	30,500	41,200	(10,700)
Total Administration	<u>160,790</u>	<u>160,790</u>	<u>179,125</u>	<u>(18,335)</u>
Streets				
Personal services	162,780	162,780	171,750	(8,970)
Supplies	36,600	36,600	38,633	(2,033)
Other purchased services	164,500	164,500	158,557	5,943
Total Streets	<u>363,880</u>	<u>363,880</u>	<u>368,940</u>	<u>(5,060)</u>
Total Highways and Streets	<u>524,670</u>	<u>524,670</u>	<u>548,065</u>	<u>(23,395)</u>
Sanitation				
Solid waste district	<u>7,750</u>	<u>7,750</u>	<u>7,650</u>	<u>100</u>
Parks and Recreation				
Personal services	163,528	163,528	189,328	(25,800)
Supplies	4,000	4,000	4,277	(277)
Other purchased services	46,400	46,400	61,609	(15,209)
Property	11,000	11,000	1,604	9,396
Total Parks and Recreation	<u>224,928</u>	<u>224,928</u>	<u>256,818</u>	<u>(31,890)</u>

City of St. Albans, Vermont  
OTHER SUPPLEMENTARY INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Miscellaneous				
Personal services - employee benefits	47,790	47,790	82,360	(34,570)
Insurance	24,650	24,650	27,574	(2,924)
Fuel	42,000	42,000	59,124	(17,124)
Other	5,000	5,000	(8)	5,008
Taxes	<u>56,273</u>	<u>56,273</u>	<u>47,469</u>	<u>8,804</u>
 Total Miscellaneous	 <u>175,713</u>	 <u>175,713</u>	 <u>216,519</u>	 <u>(40,806)</u>
 Grant Expenditures				
Police Block Grant	-	-	117,488	(117,488)
Fire Department Grant	-	-	25,927	(25,927)
Public Works Grant	<u>-</u>	<u>-</u>	<u>149,869</u>	<u>(149,869)</u>
Total Grant Expenditures	<u>-</u>	<u>-</u>	<u>293,284</u>	<u>(293,284)</u>
 Debt Service				
Principal	79,480	79,480	87,802	(8,322)
Interest	<u>7,000</u>	<u>7,000</u>	<u>7,239</u>	<u>(239)</u>
 Total Debt Services	 <u>86,480</u>	 <u>86,480</u>	 <u>95,041</u>	 <u>(8,561)</u>
 TOTAL EXPENDITURES	 <u>\$ 3,645,403</u>	 <u>\$ 3,645,403</u>	 <u>\$ 4,105,379</u>	 <u>\$ (459,976)</u>

City of St. Albans, Vermont

ADDITIONAL REPORTS REQUIRED BY  
THE SINGLE AUDIT ACT

June 30, 2005

City of Saint Albans, Vermont  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2005

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Cooperative Forestry Assistance	10.664	\$ 4,000
Outdoor Recreation Acquisition Development and Planning	15.916	29,719
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
State Domestic Preparedness Equipment Support	97.004	42,134
Law Enforcement Terrorism Prevention Program	97.074	19,050
Sharp Grant	20.600	3,500
Juvenile Justice and Delinquency Prevention	16.541	5,000
Safe and Drug-Free Schools	84.186	3,280
Byrne Formula Grant Program	16.579	73,740
Public Safety Partnership and Community Policing Grants	16.710	258,528
Grants to Encourage Arrest Policies	16.590	217,097
Local Law Enforcement Block Grants	16.592	4,227
Enforcing Underage Drinking Laws	16.727	5,500
Drug-Free Communities Support Program Grants	16.729	3,400
Homeland Security Information Technology and Evaluation	16.000	4,000
<b>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
Community Development Block Grant	14.228	160,032
<b>ENVIRONMENTAL PROTECTION AGENCY</b>		
Lake Champlain Basin Program	66.481	<u>6,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 839,207</u>

**NOTE A BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Saint Albans, Vermont and is presented on the accrual basis of accounting. 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.

REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the City of St. Albans, Vermont as of and for the year ended June 30, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving the internal control over the financial reporting, which we have reported to management of the City of St. Albans, Vermont in a separate letter dated

Internal Control Over Financial Reporting

In planning and performing our audit, we City of St. Albans, Vermont's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

St. Albans, Vermont  
September 2, 2005

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of St. Albans, Vermont with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of St. Albans, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and question costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of St. Albans, Vermont's management. Our responsibility is to express an opinion on the City of St. Albans, Vermont's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 above that 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. Our audit does not provide a legal determination on the City of St. Albans, Vermont's compliance with those requirements.

In our opinion, the City of St. Albans, Vermont complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of St. Albans, Vermont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Albans, Vermont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Honorable Mayor, Board of Aldermen  
And City Manager  
City of Saint Albans, Vermont  
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

St. Albans, Vermont  
September 2, 2005

City of Saint Albans, Vermont  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2005

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of St. Albans, Vermont.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of St. Albans, Vermont were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of St. Albans, Vermont expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of St. Albans, Vermont.
7. The programs tested as major programs were Public Safety Partnership and Community Policing Grants and Grants to Encourage Arrest Policies.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of St. Albans, Vermont was not determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

- There were no findings related to the financial statements audit.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

- There were no findings or questioned costs related to the major federal award programs.