

City of St. Albans, Vermont
BASIC FINANCIAL STATEMENTS
June 30, 2006

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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, 2006, 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, 2006, 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 1, 2006 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 22 are not a required part of the basic financial statements but are required 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 1, 2006

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

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, 2006. 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 2006 by \$13,836,317. Of this amount, \$313,275 (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 2006, the City of St. Albans governmental funds (General and Community Development) reported combined balances, all unreserved of a negative \$42,118.

At the close of FY 2006, the net assets in the Proprietary Funds (Water and Wastewater) totaled \$11,843,292. The unreserved net assets in the Water Fund were \$229,316 and a balance of \$126,077 showed in wastewater net assets. Combined Proprietary Fund Net Assets (unreserved) were \$355,393.

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.

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

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.

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.

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.

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2006

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. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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 combining statements for various funds, 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, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current and other assets	\$ 930,267	\$ 1,484,627	\$ 2,414,894
Note receivable	60,286	-	60,286
Capital Assets	<u>2,687,231</u>	<u>17,423,049</u>	<u>20,110,280</u>
TOTAL ASSETS	<u>\$ 3,677,784</u>	<u>\$ 18,907,676</u>	<u>\$ 22,585,460</u>
LIABILITIES			
Long-term liabilities outstanding	\$ 702,438	\$ 5,472,292	\$ 6,174,730
Other liabilities	<u>982,321</u>	<u>1,592,092</u>	<u>2,574,413</u>
TOTAL LIABILITIES	<u>\$ 1,684,759</u>	<u>\$ 7,064,384</u>	<u>\$ 8,749,143</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,901,247	\$ 11,487,899	\$ 13,389,146
Restricted	133,896	-	133,896
Unrestricted	<u>(42,118)</u>	<u>355,393</u>	<u>313,275</u>
TOTAL NET ASSETS	<u>\$ 1,993,025</u>	<u>\$ 11,843,292</u>	<u>\$ 13,836,317</u>

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2006

Government-wide Financial Analysis (continued)

NET ASSETS
 June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
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>
TOTAL ASSETS	<u>\$ 3,993,473</u>	<u>\$ 17,714,141</u>	<u>\$ 21,707,614</u>
LIABILITIES			
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>
TOTAL LIABILITIES	<u>\$ 2,067,427</u>	<u>\$ 5,506,120</u>	<u>\$ 7,573,547</u>
NET ASSETS			
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>
TOTAL NET ASSETS	<u>\$ 1,926,046</u>	<u>\$ 12,208,021</u>	<u>\$ 14,134,067</u>

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 \$13,836,317 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Albans' net assets (94%) 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 (\$313,275) 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, reserves for encumbrances and reserves for expenditures in subsequent years.

At the end of the current fiscal year, the City of St. Albans has positive balances in all categories of net assets for governmental type and business type activities. For further information, refer to the Statement of Net Assets on page 1.

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.

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2006

Governmental Funds

CHANGE IN NET ASSETS
 June 30, 2006

	Governmental Activities	Business-Type Activities	Total
REVENUES			
PROGRAM REVENUES			
Charges for services	\$ 708,756	\$ 3,079,869	\$ 3,788,625
Operating grants and revenues	1,509,669	40,057	1,549,726
Property taxes, levied for general purposes	2,903,027	-	2,903,027
Property Sales	258,579	-	258,579
Unrestricted investment earnings	16,620	-	16,620
TOTAL REVENUES	5,396,651	3,119,926	8,516,577
EXPENSES			
GOVERNMENTAL ACTIVITIES			
General government	681,717	-	681,717
Public safety	2,875,416	-	2,875,416
Public works	489,674	-	489,674
Recreation, health, education and welfare	507,006	-	507,006
Community development	536,858	-	536,858
Depreciation, unallocated	132,881	-	132,881
Interest on long-term debt	44,954	-	44,954
BUSINESS-TYPE ACTIVITIES			
Water	-	1,508,809	1,508,809
Sewer	-	1,975,846	1,975,846
TOTAL EXPENSES	5,268,506	3,484,655	8,753,161
OPERATING TRANSFER	(25,000)	-	(25,000)
CHANGES IN NET ASSETS	103,145	(364,729)	(261,584)
NET ASSETS, beginning of year	1,926,046	12,208,021	14,134,067
PRIOR PERIOD ADJUSTMENT	(36,166)	-	(36,166)
NET ASSETS, end of year	\$ 1,993,025	\$ 11,843,292	\$ 13,836,317

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Governmental Funds (continued)

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>

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 \$16,928.

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2006

Capital Asset and Debt Administration

SUMMARY OF CAPITAL ASSETS & LONG-TERM DEBT

June 30, 2006

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Land	\$ 758,337	\$ 155,000	\$ 913,337
Buildings & Improvements	2,321,861	22,383,053	24,704,914
Machinery and Equipment	1,109,506	3,342,032	4,451,538
Infrastructure	268,530	-	268,530
Construction in Progress	<u>39,000</u>	<u>-</u>	<u>39,000</u>
	4,497,234	25,880,085	30,377,319
Less: Accumulated Depreciation	<u>(1,810,003)</u>	<u>(8,457,036)</u>	<u>(10,267,039)</u>
 TOTAL ASSETS, net	 <u>\$ 2,687,231</u>	 <u>\$ 17,423,049</u>	 <u>\$ 20,110,280</u>
 LONG-TERM DEBT	 <u>\$ 785,984</u>	 <u>\$ 5,935,150</u>	 <u>\$ 6,721,134</u>

SUMMARY OF CAPITAL ASSETS & LONG-TERM DEBT

June 30, 2005

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
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	<u>-</u>	<u>5,769</u>	<u>5,769</u>
	4,050,494	24,677,559	28,728,053
Less: Accumulated Depreciation	<u>(1,677,123)</u>	<u>(7,934,530)</u>	<u>(9,611,653)</u>
 TOTAL ASSETS, net	 <u>\$ 2,373,371</u>	 <u>\$ 16,743,029</u>	 <u>\$ 19,116,400</u>
 LONG-TERM DEBT	 <u>\$ 880,055</u>	 <u>\$ 4,509,462</u>	 <u>\$ 5,389,517</u>

Capital Assets - The City of St. Albans' investment in capital assets for its governmental activities is \$1,901,247. 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 30 June 2006 our net capital investment is \$11,487,899.

Major capital asset events during the current fiscal year included the following:

- Investment in public parks was \$28,500.
- Investments in streets, roads and bridges totaled \$83,598.
- Fleet vehicle replacement costs were \$29,632.
- Capital investment in water and wastewater systems was \$71,358.

City of St. Albans, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Long-term debt - At the end of the current year, the City of St. Albans had total long-term debt outstanding of \$6,721,134. Of this amount, \$3,931,776 is bonded debt backed by the full faith and credit of the City of St. Albans for the water utility.

The City of St. Albans' total long-term debt increased by \$1,331,617 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 the city, particularly in the areas covered by our water and wastewater utilities.
- Changing water and wastewater billing, including rates, billing process and billing forms.
- The impact large retail businesses located outside the city may have on our downtown
- Entering into a contract with the State of Vermont to self manage the St. Albans Multimodal Connector project as an effort to move the project along.
- Promotion of investment in our downtown by continued financial support of St. Albans For the Future.
- Review of budgeting procedures and evaluate for improvements.
- Look for efficiencies, cost savings and additional revenue sources.
- Begin the process for capital improvement funds and contingency funds.
- Involve the public as much as possible in the budgeting process

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, 2006

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 221,310	\$ 294,289	\$ 515,599
Cash - restricted	120,950	-	120,950
Taxes receivable	267,119	-	267,119
Accounts receivable	25,490	681,595	707,085
Other receivables	-	303,131	303,131
Due from other funds	74,626	205,612	280,238
Current portion notes receivable	<u>220,772</u>	<u>-</u>	<u>220,772</u>
TOTAL CURRENT ASSETS	930,267	1,484,627	2,414,894
NOTES RECEIVABLE, net of current portion	60,286	-	60,286
CAPITAL ASSETS, net	<u>2,687,231</u>	<u>17,423,049</u>	<u>20,110,280</u>
TOTAL ASSETS	<u>\$ 3,677,784</u>	<u>\$ 18,907,676</u>	<u>\$ 22,585,460</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Current portion notes and bonds payable	\$ 83,546	\$ 462,858	\$ 546,404
Line of credit	-	465,000	465,000
Accounts payable	310,578	106,818	417,396
Accrued liabilities	420,069	365,983	786,052
Deferred revenue	89,334	-	89,334
Due to other funds	<u>78,794</u>	<u>191,433</u>	<u>270,227</u>
TOTAL CURRENT LIABILITIES	982,321	1,592,092	2,574,413
NOTES AND BONDS PAYABLE	<u>702,438</u>	<u>5,472,292</u>	<u>6,174,730</u>
TOTAL LIABILITIES	<u>1,684,759</u>	<u>7,064,384</u>	<u>8,749,143</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,901,247	11,487,899	13,389,146
Restricted	133,896	-	133,896
Unrestricted	<u>(42,118)</u>	<u>355,393</u>	<u>313,275</u>
NET ASSETS	<u>1,993,025</u>	<u>11,843,292</u>	<u>13,836,317</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,677,784</u>	<u>\$ 18,907,676</u>	<u>\$ 22,585,460</u>

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, 2006

	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	\$ 681,717	\$ 99,276	\$ 104,872	\$ -	\$ (477,569)	\$ -	\$ (477,569)
Public safety	2,875,416	203,044	567,096	-	(2,105,276)	-	(2,105,276)
Public works	489,674	234,046	222,475	-	(33,153)	-	(33,153)
Recreation, health, education and welfare	507,006	149,111	76,161	-	(281,734)	-	(281,734)
Community development	536,858	23,279	484,297	-	(29,282)	-	(29,282)
Depreciation, unallocated	132,881	-	-	-	(132,881)	-	(132,881)
Interest on long-term debt	44,954	-	54,768	-	9,814	-	9,814
Total governmental activities	<u>5,268,506</u>	<u>708,756</u>	<u>1,509,669</u>	<u>-</u>	<u>(3,050,081)</u>	<u>-</u>	<u>(3,050,081)</u>
Business-type activities:							
Water	1,508,809	1,438,227	31,925	-	-	(38,657)	(38,657)
Sewer	<u>1,975,846</u>	<u>1,641,642</u>	<u>8,132</u>	<u>-</u>	<u>-</u>	<u>(326,072)</u>	<u>(326,072)</u>
Total business-type activities	<u>3,484,655</u>	<u>3,079,869</u>	<u>40,057</u>	<u>-</u>	<u>-</u>	<u>(364,729)</u>	<u>(364,729)</u>
General Revenues:							
Property taxes, levied for general purposes					2,903,027	-	2,903,027
Unrestricted investment earnings					16,620	-	16,620
Property sales					258,579	-	258,579
Operating transfer					(25,000)	-	(25,000)
Total general revenues and transfers					<u>3,153,226</u>	<u>-</u>	<u>3,153,226</u>
Change in Net Assets					103,145	(364,729)	(261,584)
Net assets, beginning					1,926,046	12,208,021	14,134,067
Prior period adjustment					(36,166)	-	(36,166)
Net assets, ending					<u>\$ 1,993,025</u>	<u>\$ 11,843,292</u>	<u>\$ 13,836,317</u>

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2006

	Governmental Fund Types		
	General	Community Development	Totals (Memorandum Only)
ASSETS			
Cash	\$ 77,669	\$ 143,641	\$ 221,310
Cash - restricted	120,950	-	120,950
Receivables (net of allowances for uncollectibles)			
Taxes, including interest and penalties	267,119	1,984	269,103
Accounts	23,506	-	23,506
Due from other funds	35,483	95,185	130,668
 TOTAL ASSETS	 \$ 524,727	 \$ 240,810	 \$ 765,537
 LIABILITIES			
Accounts payable	\$ 308,118	\$ 2,459	\$ 310,577
Deferred Revenue	85,718	3,616	89,334
Other Accrued Expenses	213,861	-	213,861
Due to other Funds	116,107	18,730	134,837
 TOTAL LIABILITIES	 723,804	 24,805	 748,609
 FUND BALANCE			
Restricted	133,896	-	133,896
Unreserved	(332,973)	216,005	(116,968)
 TOTAL FUND BALANCE	 (199,077)	 216,005	 16,928
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 524,727	 \$ 240,810	 \$ 765,537

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, 2006

Total fund balances - governmental funds \$ 16,928

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. 2,687,231

Other long-term assets are not available to pay for current-period
expenditures and therefore are deferred in the funds:

Community Development Notes Receivable 281,058

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 (6,499)

Accrued comptime (9,442)

Accrued vacation (190,267)

Notes and bonds payable (785,984)

Total net assets - governmental activities \$ 1,993,025

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, 2006

	Governmental Fund Types		
	General	Community Development	Total Governmental Funds
REVENUES			
Taxes, interest and penalties	\$ 3,063,408	\$ -	\$ 3,063,408
Licenses and permits	48,721	-	48,721
Intergovernmental	165,235	895,642	1,060,877
Charges for services	359,579	-	359,579
Recreation Department	156,566	-	156,566
Fines	23,365	-	23,365
Interest on savings	12,830	405	13,235
Grant Revenue	170,935	-	170,935
Sale of Property	-	258,579	258,579
Miscellaneous	48,099	53,580	101,679
Rent	-	22,330	22,330
Loan repayments	-	125,794	125,794
TOTAL REVENUES	<u>4,048,738</u>	<u>1,356,330</u>	<u>5,405,068</u>
EXPENDITURES			
Current:			
General government	440,544	787,826	1,228,370
Public safety	2,577,319	5,000	2,582,319
Highways and streets	584,428	-	584,428
Sanitation	7,650	-	7,650
Parks and recreation	255,163	9,428	264,591
Miscellaneous	242,552	-	242,552
Grant expenditures	162,631	-	162,631
Economic development and assistance	-	265,795	265,795
Capital Outlay	155,000	-	155,000
Debt Service	62,922	218,175	281,097
TOTAL EXPENDITURES	<u>4,488,209</u>	<u>1,286,224</u>	<u>5,774,433</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(439,471)</u>	<u>70,106</u>	<u>(369,365)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from borrowings	155,000	-	155,000
Operating transfer in	-	5,000	5,000
Operating transfer out	(30,000)	-	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>125,000</u>	<u>5,000</u>	<u>130,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(314,471)</u>	<u>75,106</u>	<u>(239,365)</u>
FUND BALANCE AT BEGINNING OF YEAR	151,560	140,899	292,459
PRIOR PERIOD ADJUSTMENT	<u>(36,166)</u>	<u>-</u>	<u>(36,166)</u>
FUND BALANCE AT END OF YEAR	<u>\$ (199,077)</u>	<u>\$ 216,005</u>	<u>\$ 16,928</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, 2006

Net change in fund balances - governmental funds \$ (239,365)

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 (132,881)

Capital outlays 446,742

Repayment of bond principal is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the statement
 of net assets. 304,372

Payment of post retirement benefits are expenditures in the
 governmental funds, but the repayment reduces long-term liabilities
 in the statement of net assets. 1,732

Revenues in the statement of activities that do not provide current
 financial resources are not reported as revenues in the funds.

Notes receivable collected (122,924)

Proceeds from new loans (210,300)

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 55,768

Change in net assets of governmental activities \$ 103,145

City of St. Albans, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2006

	Business-Type Activities		
	Water Fund	Wastewater Fund	Totals (Memorandum Only)
ASSETS			
CURRENT ASSETS			
Cash	\$ 294,289	\$ -	\$ 294,289
Accounts receivable	319,729	361,866	681,595
Unbilled revenue	138,847	164,284	303,131
Due from other funds	-	205,612	205,612
TOTAL CURRENT ASSETS	<u>752,865</u>	<u>731,762</u>	<u>1,484,627</u>
CAPITAL ASSETS			
Land	155,000	-	155,000
Building and improvements	7,279,502	15,103,551	22,383,053
Machinery and equipment	991,208	2,350,824	3,342,032
Accumulated Depreciation	(2,174,331)	(6,282,705)	(8,457,036)
CAPITAL ASSETS, net	<u>6,251,379</u>	<u>11,171,670</u>	<u>17,423,049</u>
TOTAL ASSETS	<u>\$ 7,004,244</u>	<u>\$ 11,903,432</u>	<u>\$ 18,907,676</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 35,327	\$ 71,491	\$ 106,818
Other accrued expenses	196,789	169,194	365,983
Due to other funds	191,433	-	191,433
Line of credit	100,000	365,000	465,000
Current Portion to General Obligation Bonds	63,902	-	63,902
Current Portion General Obligation Notes Payable	195,666	203,290	398,956
TOTAL CURRENT LIABILITIES	<u>783,117</u>	<u>808,975</u>	<u>1,592,092</u>
LONG-TERM LIABILITIES			
General Obligation Bonds, net of current portion	3,867,874	-	3,867,874
General Obligation Notes Payable, net of current portion	788,377	816,041	1,604,418
TOTAL LONG-TERM LIABILITIES	<u>4,656,251</u>	<u>816,041</u>	<u>5,472,292</u>
TOTAL LIABILITIES	<u>5,439,368</u>	<u>1,625,016</u>	<u>7,064,384</u>
NET ASSETS			
Invested in Capital Assets, net of debt	1,335,560	10,152,339	11,487,899
Unreserved	229,316	126,077	355,393
TOTAL NET ASSETS	<u>1,564,876</u>	<u>10,278,416</u>	<u>11,843,292</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,004,244</u>	<u>\$ 11,903,432</u>	<u>\$ 18,907,676</u>

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, 2006

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals (Memorandum Only)</u>
OPERATING REVENUE			
Charges for Services	\$ 1,438,227	\$ 1,641,642	\$ 3,079,869
OPERATING EXPENSES			
Personal services	562,306	629,444	1,191,750
Other purchased services	140,543	126,976	267,519
Supplies	154,937	289,277	444,214
Repairs and maintenance	74,820	395,933	470,753
Utilities and telephone	151,254	154,159	305,413
Real estate taxes	43,328	4,471	47,799
Depreciation and amortization	<u>176,926</u>	<u>345,580</u>	<u>522,506</u>
TOTAL OPERATING EXPENSES	<u>1,304,114</u>	<u>1,945,840</u>	<u>3,249,954</u>
OPERATING INCOME/ (LOSS)	<u>134,113</u>	<u>(304,198)</u>	<u>(170,085)</u>
NON-OPERATING REVENUE (EXPENSE)			
Interest Income	29,593	8,132	37,725
Grant Income	2,332	-	2,332
Interest Expense	<u>(204,695)</u>	<u>(30,006)</u>	<u>(234,701)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(172,770)</u>	<u>(21,874)</u>	<u>(194,644)</u>
NET LOSS	(38,657)	(326,072)	(364,729)
NET ASSETS BEGINNING OF YEAR	<u>1,603,533</u>	<u>10,604,488</u>	<u>12,208,021</u>
NET ASSETS END OF YEAR	<u>\$ 1,564,876</u>	<u>\$ 10,278,416</u>	<u>\$ 11,843,292</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, 2006

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Totals (Memorandum Only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,396,786	\$ 1,586,666	\$ 2,983,452
Payments to suppliers	(527,932)	(948,513)	(1,476,445)
Payments for employees and benefits	(536,447)	(613,645)	(1,150,092)
Other receipts (payments)	(43,328)	(4,471)	(47,799)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>289,079</u>	<u>20,037</u>	<u>309,116</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from (payments to) other funds	53,100	(561,445)	(508,345)
Grants	2,332	-	2,332
NET CASH PROVIDED/(USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>55,432</u>	<u>(561,445)</u>	<u>(506,013)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(643,255)	(559,271)	(1,202,526)
Payments of interest	(204,695)	(30,006)	(234,701)
Principal reduction of notes and bonds payable	(131,865)	(97,747)	(229,612)
Proceeds from debt	900,000	1,220,300	2,120,300
NET CASH PROVIDED/ (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(79,815)</u>	<u>533,276</u>	<u>453,461</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	<u>29,593</u>	<u>8,132</u>	<u>37,725</u>
NET INCREASE IN CASH	294,289	-	294,289
CASH - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
CASH - END OF YEAR	<u>\$ 294,289</u>	<u>\$ -</u>	<u>\$ 294,289</u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 134,113	\$ (304,198)	\$ (170,085)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	176,926	345,580	522,506
Change in net assets and liabilities:			
Receivables, net	(41,441)	(54,976)	(96,417)
Accounts payable	(6,378)	17,832	11,454
Other accrued expenses	25,859	15,799	41,658
Net cash provided by operating activities	<u>\$ 289,079</u>	<u>\$ 20,037</u>	<u>\$ 309,116</u>

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2006

	Agency Fund					
	Downtown Designation	Veterans Memorial	Zoning Escrow	Rose Toutant Trust	State Fee/ Payroll	Total
<u>ASSETS</u>						
Cash	\$ 7,063	\$ 2,203	\$ 7,583	\$ 107,774	\$ 17,771	\$ 142,394
TOTAL ASSETS	<u>\$ 7,063</u>	<u>\$ 2,203</u>	<u>\$ 7,583</u>	<u>\$ 107,774</u>	<u>\$ 17,771</u>	<u>\$ 142,394</u>
 <u>LIABILITIES AND NET ASSETS</u>						
Due to others	\$ (2,947)	\$ 2,203	\$ 7,583	\$ 107,774	\$ 17,771	\$ 132,384
Due to other funds	<u>10,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,010</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,063</u>	<u>\$ 2,203</u>	<u>\$ 7,583</u>	<u>\$ 107,774</u>	<u>\$ 17,771</u>	<u>\$ 142,394</u>

See Accompanying Notes to Basic Financial Statements.

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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 \$107,774 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, 2006

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, 2006

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, 2006

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.

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.

NOTE 2 DELINQUENT TAXES RECEIVABLE

Delinquent taxes receivable consist of:

	<u>General Fund</u>
Delinquent property taxes	\$ 319,993
Penalties on taxes receivable	21,889
Interest on taxes receivable	21,634
Deferred Revenue	(81,397)
	282,119
Allowance for uncollectible delinquent taxes	(15,000)
	<u>\$ 267,119</u>

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, 2006:

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 INTERFUND RECEIVABLE AND PAYABLE BALANCES (continued)

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 35,483	\$ 116,107
Water Fund	-	191,433
Wastewater Fund	205,612	-
Downtown Designation Fund	-	10,010
Community Development Fund	95,185	18,730
	\$ 336,280	\$ 336,280

NOTE 4 ACCRUED COMPENSATION

At June 30, 2006, the City had the following vested benefits earned by their employees:

Vested Compensation – Water	\$ 113,006
Vested Compensation – Waste Water	146,638
Vested Compensation - General	398,201
TOTAL	\$ 657,845

NOTE 5 NOTES AND BONDS PAYABLE

The following is a summary of changes in notes and bonds payable for the year ended June 30, 2006:

<u>Business-Type Funds</u>	<u>Beginning Balance 7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2006</u>
Note payable to the Peoples Trust Company, interest at 2.70%. Annual principal and interest payment of \$129,902 (This note is being serviced- principal and interest -50 percent by the Water Fund and 50 percent by the Wastewater Fund). Maturing January 23, 2009	\$ 486,386	\$ -	\$ 116,665	\$ 369,721
Note payable to Leo Benoit, interest at 8%, due February 1, 2007. (This note is being serviced - principal and interest - by the Water Fund)	12,456	-	7,274	5,182
Note payable to ICAP, interest at 5%, due June, 2006. (This note is being serviced - principal and interest - by the Wastewater Fund)	18,584	-	18,584	-

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 NOTES AND BONDS PAYABLE (continued)

<u>Business-Type Funds</u> (continued)	<u>Beginning Balance 7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2006</u>
Note payable to Peoples Trust Co. issued April 19, 2006, interest at 5.00%, due in monthly principal and interest installments of \$3,774.79 (This issue is being serviced-principal and interest-by the Water Enterprise Fund). Matures 2011	-	200,000	6,000	194,000
Lease payable to SunTrust Leasing Corp. issued August 17, 2005, interest at 4.89%, due in annual principal and interest installments of \$29,660.00 (This issue is being serviced- principal and interest-by the Wastewater Enterprise Fund). Matures 2008	-	55,300	14,830	40,470
Note payable to People Trust Co. issued April 19, 2006, interest at 5.00%, due in monthly principal and interest installments of \$3,774.79 (This issue is being serviced-principal and interest-by the Wastewater Enterprise Fund). Matures 2011	-	200,000	6,000	194,000
Note payable to Union Bank issued April 24, 2006, interest at 5.25% subject to adjustment in the event there is a change in the Federal Corporate Tax Rate applicable to Union Bank with respect to a period during which the note is outstanding. Due in annual principal and interest installments of \$210,780, payable to Union Bank (this issue is being serviced-principal and interest-by the Water & Wastewater Enterprise Funds). Matures 2011	-	1,200,000	-	1,200,000
Water System Improvement bond issued February 14, 1996, interest at 4.50% due in varying annual installments payable to U.S. Department of Agriculture (This issue is being serviced-principal and interest by the Water Enterprise Fund). Matures February 14, 2036	<u>3,992,036</u>	<u>-</u>	<u>60,260</u>	<u>3,931,776</u>
Total Business-Type Funds	<u>\$ 4,509,462</u>	<u>\$ 1,655,300</u>	<u>\$ 229,613</u>	<u>\$ 5,935,149</u>

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 NOTES AND BONDS PAYABLE (continued)

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

	Principal	Interest	Total
2007	\$ 462,858	\$ 223,771	\$ 686,629
2008	437,555	248,795	686,350
2009	457,361	229,523	686,884
2010	332,287	209,329	541,616
2011	333,692	192,525	526,217
Thereafter	3,911,396	2,441,221	6,352,617
	<u>\$ 5,935,149</u>	<u>\$ 3,545,164</u>	<u>\$ 9,480,313</u>

	Beginning Balance 7/1/2005	Additions	Deletions	Ending Balance 6/30/2006
<u>Governmental Activities</u>				
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, 2006.	\$ 2,504	\$ -	\$ 2,504	\$ -
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)	220,517	-	220,517	-
Note payable to the Peoples Trust Co., interest at 4.39%, due August 31, 2025. (This note is being serviced – principal and interest – by the General Fund)	-	155,000	3,838	151,162
Lease payable to SunTrust Leasing Co. for a street sweeper, interest at 4.89% with annual principal and interest payments of \$29,660. Matures 2008.	-	55,300	14,830	40,470
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.	105,367	-	6,016	99,351

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 NOTES AND BONDS PAYABLE (continued)

<u>Governmental Activities</u> (continued)	<u>Beginning Balance 7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2006</u>
Note payable to Banknorth, N.A. for the purchase of a fire truck; interest at 6.45% with monthly principal payments of \$1,389, plus interest. This note matures June 12, 2015.	166,667	-	16,667	150,000
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>385,000</u>	<u>-</u>	<u>40,000</u>	<u>345,000</u>
Total Governmental Activities	<u>\$ 880,055</u>	<u>\$ 210,300</u>	<u>\$ 304,372</u>	<u>\$ 785,983</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 83,546	\$ 38,932	\$ 122,478
2008	84,149	34,778	118,927
2009	80,762	30,479	111,241
2010	70,616	26,091	96,707
2011	71,314	22,340	93,654
Thereafter	<u>395,596</u>	<u>75,886</u>	<u>471,482</u>
	<u>\$ 785,983</u>	<u>\$ 228,506</u>	<u>\$ 1,014,489</u>

NOTE 6 DEPOSITS AND INVESTMENTS

At June 30, 2006, the carrying amount of the government's deposits was \$769,157 and the bank balance was \$2,491,976 of which \$319,789 was covered by the federal depository insurance corporation, \$1,669,665 was covered by the right to offset mortgage loans with local banks and \$502,521 was uninsured.

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.

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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.

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		85,628
Administrative expenses		16,863
Interest on net pension obligation		<u>11,995</u>
Annual pension cost		188,790
Contributions made		<u>(141,693)</u>
Increase (decrease) in net pension obligation		47,097
Net pension obligation beginning of year		<u>141,693</u>
Net pension obligation end of year	\$	<u>188,790</u>

The annual required contribution for the current year was determined as part of the December 31, 2005 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, 2005 was 7 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC Contributed <u>Contributed</u>	Net Pension Obligation <u>Obligation</u>
6/30/04	\$ 117,325	100.0%	\$ 0
6/30/05	141,693	100.0%	0
6/30/06	188,790	100.0%	0

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 PENSION PLAN (continued)

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)
1/1/03	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
1/1/05	2,852,705	3,473,388	620,683	82.1	1,945,793	31.9

NOTE 9 BUDGET EXCEPTIONS

General fund expenditures exceeded budgeted appropriations by \$578,130 for the year ended June 30, 2006. This was offset by actual revenues exceeding budget by \$122,738.

NOTE 10 RESTRICTED CASH

The City had \$120,950 restricted cash to be used for reappraisal at June 30, 2006.

NOTE 11 RESTRICTED FUND BALANCE

\$133,896 was restricted for Public Works by voter approval at June 30, 2006.

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 12 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 603,337	\$ 155,000	\$ -	\$ 758,337
Construction in progress	<u>-</u>	<u>39,000</u>	<u>-</u>	<u>39,000</u>
Total capital assets, not being depreciated	<u>603,337</u>	<u>194,000</u>	<u>-</u>	<u>797,337</u>
Capital assets, being depreciated				
Buildings and improvements	2,321,861	-	-	2,321,861
Machinery and Equipment	900,166	209,340	-	1,109,506
Infrastructure	<u>225,130</u>	<u>43,400</u>	<u>-</u>	<u>268,530</u>
Total capital assets, being depreciated	<u>3,447,157</u>	<u>252,740</u>	<u>-</u>	<u>3,699,897</u>
Accumulated depreciation for				
Buildings and improvements	(1,189,556)	(42,110)	-	(1,231,666)
Machinery and Equipment	(480,784)	(84,925)	-	(565,709)
Infrastructure	<u>(6,783)</u>	<u>(5,845)</u>	<u>-</u>	<u>(12,628)</u>
Total accumulated depreciation	<u>(1,677,123)</u>	<u>(132,880)</u>	<u>-</u>	<u>(1,810,003)</u>
Total capital assets, being depreciated, net	<u>1,770,034</u>	<u>119,860</u>	<u>-</u>	<u>1,889,894</u>
Governmental activities, capital assets, net	<u>\$ 2,373,371</u>	<u>\$ 313,860</u>	<u>\$ -</u>	<u>\$ 2,687,231</u>
Business-type activities:				
Water utility:				
Capital assets, not being depreciated				
Land	\$ 155,000	\$ -	\$ -	\$ 155,000
Construction in progress	<u>5,769</u>	<u>463,710</u>	<u>(469,479)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>160,769</u>	<u>463,710</u>	<u>(469,479)</u>	<u>155,000</u>
Capital assets, being depreciated				
Buildings and improvements	7,279,502	-	-	7,279,502
Machinery and equipment	<u>342,183</u>	<u>651,910</u>	<u>(2,885)</u>	<u>991,208</u>
Total capital assets, being depreciated	<u>7,621,685</u>	<u>651,910</u>	<u>(2,885)</u>	<u>8,270,710</u>

City of St. Albans, Vermont
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 12 CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Accumulated depreciation for				
Buildings and improvements	(1,780,609)	(144,892)	-	(1,925,501)
Machinery and equipment	(216,795)	(32,035)	-	(248,830)
Total accumulated depreciation	(1,997,404)	(176,927)	-	(2,174,331)
Total capital assets, being depreciated, net	5,624,281	474,983	(2,885)	6,096,379
Water utility, capital assets, net	5,785,050	938,693	(472,364)	6,251,379
Wastewater utility:				
Capital assets, being depreciated				
Buildings and improvements	15,103,551	-	-	15,103,551
Machinery and equipment	1,791,553	559,271	-	2,350,824
Total capital assets, being depreciated	16,895,104	559,271	-	17,454,375
Accumulated depreciation for				
Buildings and improvements	(4,631,710)	(263,182)	-	(4,894,892)
Machinery and equipment	(1,305,415)	(82,398)	-	(1,387,813)
Total accumulated depreciation	(5,937,125)	(345,580)	-	(6,282,705)
Total capital assets, being depreciated, net	10,957,979	213,691	-	11,171,670
Wastewater utility, capital assets, net	10,957,979	213,691	-	11,171,670
Business-type activities, capital assets, net	\$ 16,743,029	\$ 1,152,384	\$ (472,364)	\$ 17,423,049

NOTE 13 COMMITMENTS

The City had committed \$50,000 of Community Development Revolving Funds to cover Saint Albans For the Future expenditures at June 30, 2006.

City of St. Albans, Vermont
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 14 SHORT-TERM DEBT

The following is a summary of changes in short-term debt for the year ended June 30, 2006:

	Beginning Balance <u>7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/06</u>
Tax Anticipation Note (General Fund)	\$ 400,000	\$ -	\$ 400,000	\$ -
Line of Credit (Water Fund)	\$ -	\$ 100,000	\$ -	\$ 100,000
Line of Credit (Sewer Fund)	\$ -	\$ 365,000	\$ -	\$ 365,000

NOTE 15 PRIOR PERIOD ADJUSTMENT

The beginning fund balance in the general fund was adjusted \$36,166 to correct an error in calculating prior year accrued compensation.

NOTE 16 SUBSEQUENT EVENT

On July 3, 2006, the City signed a tax anticipation note line of credit not to exceed \$400,000. Interest on the line is 3.95%. The line matures June 29, 2007.

NOTE 17 DEFICIT FUND BALANCE

The General Fund has a deficit fund balance of \$199,077 at June 30, 2006 which will be funded by future budgets.

City of St. Albans, Vermont
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes, interest and penalties	\$ 3,064,900	\$ 3,064,900	\$ 3,063,408	\$ (1,492)
Licenses and permits	45,000	45,000	48,721	3,721
Intergovernmental	133,500	133,500	165,235	31,735
Charges for services	393,000	393,000	359,579	(33,421)
Recreation Department	12,325	170,000	156,566	(13,434)
Fines	40,000	40,000	23,365	(16,635)
Interest on savings	15,000	15,000	12,830	(2,170)
Grant Revenue	41,600	41,600	170,935	129,335
Miscellaneous	23,000	23,000	48,099	25,099
TOTAL REVENUES	<u>3,768,325</u>	<u>3,926,000</u>	<u>4,048,738</u>	<u>122,738</u>
EXPENDITURES				
Current:				
General government	427,134	427,134	440,544	(13,410)
Public safety	2,450,730	2,450,730	2,577,319	(126,589)
Highways and streets	510,607	513,849	584,428	(70,579)
Sanitation	7,650	7,650	7,650	-
Parks and recreation	110,837	255,270	255,163	107
Miscellaneous	181,775	181,775	242,552	(60,777)
Grant expenditures	-	-	162,631	(162,631)
Capital Outlay	-	-	155,000	(155,000)
Debt Service	73,671	73,671	62,922	10,749
TOTAL EXPENDITURES	<u>3,762,404</u>	<u>3,910,079</u>	<u>4,488,209</u>	<u>(578,130)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,921</u>	<u>15,921</u>	<u>(439,471)</u>	<u>(455,392)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from borrowings	-	-	155,000	155,000
Operating transfer out	(5,000)	(15,000)	(30,000)	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>	<u>(15,000)</u>	<u>125,000</u>	<u>140,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	921	921	(314,471)	(315,392)
FUND BALANCE AT BEGINNING OF YEAR	151,560	151,560	151,560	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>(36,166)</u>	<u>(36,166)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 152,481</u>	<u>\$ 152,481</u>	<u>\$ (199,077)</u>	<u>\$ (351,558)</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, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
City Council				
Personal services	\$ 840	\$ 840	\$ 908	\$ (68)
Other purchased services	500	500	1,620	(1,120)
Total City Council	<u>1,340</u>	<u>1,340</u>	<u>2,528</u>	<u>(1,188)</u>
City Manager				
Personal services	143,819	143,819	144,647	(828)
Supplies	58,760	58,760	49,950	8,810
Other purchased services	3,400	3,400	5,269	(1,869)
Total City Manager	<u>205,979</u>	<u>205,979</u>	<u>199,866</u>	<u>6,113</u>
Senior Center				
	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Elections				
	<u>3,000</u>	<u>3,000</u>	<u>4,120</u>	<u>(1,120)</u>
Financial Administration				
Personal services	166,515	166,515	179,864	(13,349)
Supplies	11,200	11,200	12,640	(1,440)
Other purchased services	37,100	37,100	39,526	(2,426)
Total Financial Administration	<u>214,815</u>	<u>214,815</u>	<u>232,030</u>	<u>(17,215)</u>
Total General Government	<u>427,134</u>	<u>427,134</u>	<u>440,544</u>	<u>(13,410)</u>
Public Safety				
Police				
Personal services	1,123,800	1,123,800	1,122,170	1,630
Supplies	11,000	11,000	14,042	(3,042)
Other purchased services	31,150	31,150	46,019	(14,869)
Property	57,000	57,000	108,544	(51,544)
Total Police	<u>1,222,950</u>	<u>1,222,950</u>	<u>1,290,775</u>	<u>(67,825)</u>
Ambulance Services				
	<u>76,500</u>	<u>76,500</u>	<u>76,500</u>	<u>-</u>
Fire				
Personal services	806,340	806,340	833,608	(27,268)
Other purchased services	10,450	10,450	13,750	(3,300)
Property	4,000	4,000	5,150	(1,150)
Total Fire	<u>820,790</u>	<u>820,790</u>	<u>852,508</u>	<u>(31,718)</u>
Animal Control				
Supplies	1,000	1,000	774	226
Other purchased services	13,840	13,840	14,669	(829)
Total Animal Control	<u>14,840</u>	<u>14,840</u>	<u>15,443</u>	<u>(603)</u>

City of St. Albans, Vermont
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Public Safety (cont'd)				
Dispatching				
Personal services	271,650	271,650	279,069	(7,419)
Supplies	2,800	2,800	3,243	(443)
Other purchased services	41,200	41,200	59,017	(17,817)
Property	-	-	764	(764)
Total Dispatching	<u>315,650</u>	<u>315,650</u>	<u>342,093</u>	<u>(26,443)</u>
Total Public Safety	<u>2,450,730</u>	<u>2,450,730</u>	<u>2,577,319</u>	<u>(126,589)</u>
Highways and Streets				
Administration				
Personal Services	54,310	54,310	52,264	2,046
Supplies	45,000	45,000	47,516	(2,516)
Other purchased services	33,900	33,900	32,331	1,569
Property	10,000	10,000	41,571	(31,571)
Total Administration	<u>143,210</u>	<u>143,210</u>	<u>173,682</u>	<u>(30,472)</u>
Streets				
Personal services	199,397	199,397	189,857	9,540
Supplies	36,000	36,000	47,286	(11,286)
Other purchased services	132,000	135,242	173,603	(38,361)
Total Streets	<u>367,397</u>	<u>370,639</u>	<u>410,746</u>	<u>(40,107)</u>
Total Highways and Streets	<u>510,607</u>	<u>513,849</u>	<u>584,428</u>	<u>(70,579)</u>
Sanitation				
Solid waste district	<u>7,650</u>	<u>7,650</u>	<u>7,650</u>	<u>-</u>
Parks and Recreation				
Personal services	110,837	183,677	184,169	(492)
Supplies	-	4,000	5,260	(1,260)
Other purchased services	-	58,593	61,573	(2,980)
Property	-	9,000	4,161	4,839
Total Parks and Recreation	<u>110,837</u>	<u>255,270</u>	<u>255,163</u>	<u>107</u>
Miscellaneous				
Personal services - employee benefits	47,500	47,500	82,501	(35,001)
Insurance	30,000	30,000	28,825	1,175
Fuel	47,000	47,000	74,275	(27,275)
Other	1,000	1,000	1,632	(632)
Taxes	56,275	56,275	55,319	956
Total Miscellaneous	<u>181,775</u>	<u>181,775</u>	<u>242,552</u>	<u>(60,777)</u>

City of St. Albans, Vermont
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Grant Expenditures				
Police Block Grant	-	-	141,621	(141,621)
Fire Department Grant	-	-	15,256	(15,256)
Public Works Grant	-	-	5,754	(5,754)
Total Grant Expenditures	<u>-</u>	<u>-</u>	<u>162,631</u>	<u>(162,631)</u>
Capital Outlay				
Land Purchase	-	-	155,000	(155,000)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>155,000</u>	<u>(155,000)</u>
Debt Service				
Principal	66,671	66,671	51,195	15,476
Interest	<u>7,000</u>	<u>7,000</u>	<u>11,727</u>	<u>(4,727)</u>
Total Debt Services	<u>73,671</u>	<u>73,671</u>	<u>62,922</u>	<u>10,749</u>
TOTAL EXPENDITURES	<u>\$ 3,762,404</u>	<u>\$ 3,910,079</u>	<u>\$ 4,488,209</u>	<u>\$ (578,130)</u>

City of St. Albans, Vermont

ADDITIONAL REPORTS REQUIRED BY
THE SINGLE AUDIT ACT

June 30, 2006

City of Saint Albans, Vermont
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Cooperative Forestry Assistance	10.664	\$ 3,250
DEPARTMENT OF HOMELAND SECURITY		
State Domestic Preparedness Equipment Support	97.004	15,256
Byrne Formula Grant Program	16.579	64,548
Public Safety Partnership and Community Policing Grants	16.710	120,098
Grants to Encourage Arrest Policies	16.590	279,514
Child & Family Services	16.540	15,000
Enforcing Underage Drinking Laws	16.727	12,982
Drug-Free Communities Support Program Grants	16.729	3,150
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		
Community Development Block Grant	14.228	<u>402,382</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 916,180</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, 2006, and have issued our report thereon dated September 1, 2006. 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 1, 2006

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, 2006. 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, 2006.

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
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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 1, 2006

City of Saint Albans, Vermont
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2006

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 Community Development Block Grants and Byrne Formula Grant Program.
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.