

CITY OF ST. ALBANS, VERMONT

AUDIT REPORT

JUNE 30, 2011

CITY OF ST. ALBANS, VERMONT
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Sullivan, Powers & Co.
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Independent Auditor's Report

To the Honorable Mayor and City Council
City of St. Albans, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of St. Albans, Vermont as of and for the year ended June 30, 2011, which collectively comprise the City of St. Albans, Vermont's basic financial statements 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not included the Pension Fund in the City's financial statements. Accounting principles generally accepted in the United States of America require the Pension Fund to be presented as a fiduciary fund which is part of the aggregate remaining fund information. The amount by which this departure would affect the assets, liabilities, revenues and expenses of the aggregate remaining fund information is not reasonably determinable.

In our opinion, because of the omission of the Pension Fund, as discussed previously, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate remaining fund information of the City of St. Albans, Vermont as of June 30, 2011 or the changes in the financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of St. Albans, Vermont as of June 30, 2011 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV.H. to the financial statements, the City of St. Albans, Vermont adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Information included under Management's Discussion and Analysis and the budgetary comparison for the General Fund are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the City of St. Albans, Vermont's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2012, on our consideration of the City of St. Albans, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

March 7, 2012
Montpelier, Vermont
Vt Lic. #92-000180

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

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Management of the City of St. Albans (the City) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. Please note that this section of the *Basic Financial Statements* is unaudited.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the close of the fiscal year by \$17,384,047 (net assets). Of this amount, \$971,512 (unrestricted net assets) may be used to meet the City's ongoing obligations. The balance of net assets is made up of \$16,147,879 invested in capital assets, net of related debt and \$264,656 restricted for specific purposes.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$630,913.
- At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$13,251,673. Approximately 9% or \$1,198,191 of net assets is unrestricted. The balance is made up of \$12,053,482 invested in capital assets, net of related debt.
- The City's total debt decreased by \$216,917 (2.1%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are presented in three sections: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, this report also contains other and required supplementary information such as a general fund budget to actual comparison and combining financial statements.

In the way of a brief introduction to governmental financial statements, the following table compares the two levels of financial statements. It is important for the reader to understand that, although governmental accounting resembles private sector accounting, there are significant differences between the two. For readers versed in private sector accounting, the government-wide financial statements will be the most familiar. In addition to the information in the following table, the readers should know that the financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. For example, the City of St. Albans operates a wastewater treatment facility and two water treatment plants. These operations are referred to as business-type activities, they are supported by user fees, and are recorded in enterprise funds separately from the general governmental activities which are accounted for primarily in the general fund and supported in large part by property tax revenues.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
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Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City (excluding any fiduciary funds)	The activities of the City that are not proprietary or fiduciary in nature and are supported primarily by tax revenues	Activities the City operates similar to private businesses: Water and Wastewater Utilities	Instances in which the City administers resources on behalf of someone else
Required Financial Statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenue, expenditures, and changes in fund balances	-Statement of net position -Statement of revenue, expenses, and changes in net position -Statement of cash flows	-Statement of fiduciary net assets -Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Assets expected to be used up and liabilities that are due during the year or shortly thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Government-Wide Financial Statements

The government-wide financial statements provide a general overview of the operations of the City presenting all data on the full accrual basis, similar to the way a private sector business would present its financial statements. There are two statements presented at the government-wide level: the Statement of Net Assets and the Statement of Activities. Within each of these statements, the governmental activities are presented separately from the business-type activities. The governmental activities reflect the City's basic services; including general government, public safety, public works, community development, parks and recreation, health and welfare, and public improvements. Property taxes finance the majority of these services supplemented by program fees, grant revenues, and other revenues. The business-type activities reflect private-sector-type operations for which user fees recover all or a significant portion of costs. The business-type activities of the City include both water and wastewater operations.

The Statement of Net Assets presents information on all of the City's 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 is improving or deteriorating.

The Statement of Activities reports how the City's net assets changed during the most recent 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 leave).

The government-wide financial statements include not only the City itself (referred to as the primary government), but also other legally separate entities for which the City is financially accountable (referred to as component units). During the period under audit, the City was not responsible for entities that qualify as component units.

The government-wide financial statement can be found on pages 13 through 14 of this report.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives other than City operations as a whole. The City of St. Albans, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The funds of the City are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
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Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine the level of financial resources that are available to finance the City's programs in the near future. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship between the two.

The City maintains one major governmental fund; the General Fund. In addition to this, the City maintains a number of capital projects funds and grant funds none of which qualify as major funds. These funds are consolidated into the column labeled Other Governmental Funds in the Fund Financial Statements. Financial information on these funds may be found on pages 57 through 62 in the combining financial statements.

The basic governmental fund financial statements can be found on pages 15 through 17 of this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided on page 56 for the purpose of demonstrating compliance with the duly appropriated budget.

Proprietary funds are used to account for a government's business-type activities. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds; one to account for the Water Fund and one to account for the Wastewater Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. At this time, the City has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and the Wastewater Fund.

The proprietary fund financial statements of the City may be found on pages 18 through 20.

Fiduciary funds, also known as trust and agency funds, account for resources for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund at this time.

Notes to the Financial Statements, in conjunction with the financial statements themselves, provide a more complete picture of the City's financial position and the results of its operations. The notes serve to explain, clarify, and expand upon the financial data presented in the financial statements, and provide some additional information as well. The notes can be found beginning on page 22 of this report, immediately following the basic financial statements.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
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In addition to the basic financial statements and accompanying notes, certain *Supplementary Information* is provided, including a budgetary comparison statement for the general fund. The supplementary information can be found immediately following the notes to the financial statements, beginning on page 56.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current & Other Assets	\$ 1,683,851	\$ 1,823,653	\$ 3,507,504
Capital Assets	<u>5,064,232</u>	<u>20,338,193</u>	<u>25,402,425</u>
Total Assets	<u>6,748,083</u>	<u>22,161,846</u>	<u>28,909,929</u>
Other Liabilities	407,928	433,073	841,001
Noncurrent Liabilities	<u>2,207,781</u>	<u>8,477,100</u>	<u>10,684,881</u>
Total Liabilities	<u>2,615,709</u>	<u>8,910,173</u>	<u>11,525,882</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,094,397	12,053,482	16,147,879
Restricted	264,656	0	264,656
Unrestricted/(Deficit)	<u>(226,679)</u>	<u>1,198,191</u>	<u>971,512</u>
Total Net Assets	<u>\$ 4,132,374</u>	<u>\$ 13,251,673</u>	<u>\$ 17,384,047</u>

Net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2011 the City's assets exceeded liabilities by \$17,384,047. The City's total net assets are made up of \$4,132,374 of governmental activities net assets and \$13,251,673 of business-type activities net assets. Due to a number of restatements during the June 30, 2011 audit, management has chosen not to present comparative data as it would not be relevant.

It is important to note that the City's investment in capital assets (equipment, land, buildings and infrastructure) represents 92.89% of total net assets at June 30, 2011. Net assets invested in capital assets, net of related debt for the governmental activities is 99.08% of total governmental activities net assets. Net assets invested in capital assets, net of related debt for the business-type activities is 90.95% of total business-type activities net assets. These capital assets provide essential services to the residents and business owners of the City, but are not available for future spending. As many of these items have been purchased using debt proceeds, the City must allocate funds from other resources to repay the supporting debt. It is an ongoing goal of the City to build into future budgets monies to be set aside to pay debt and provide for financial contingencies, and reserves for a long-term capital plan. The 2011 operations achieved that goal.

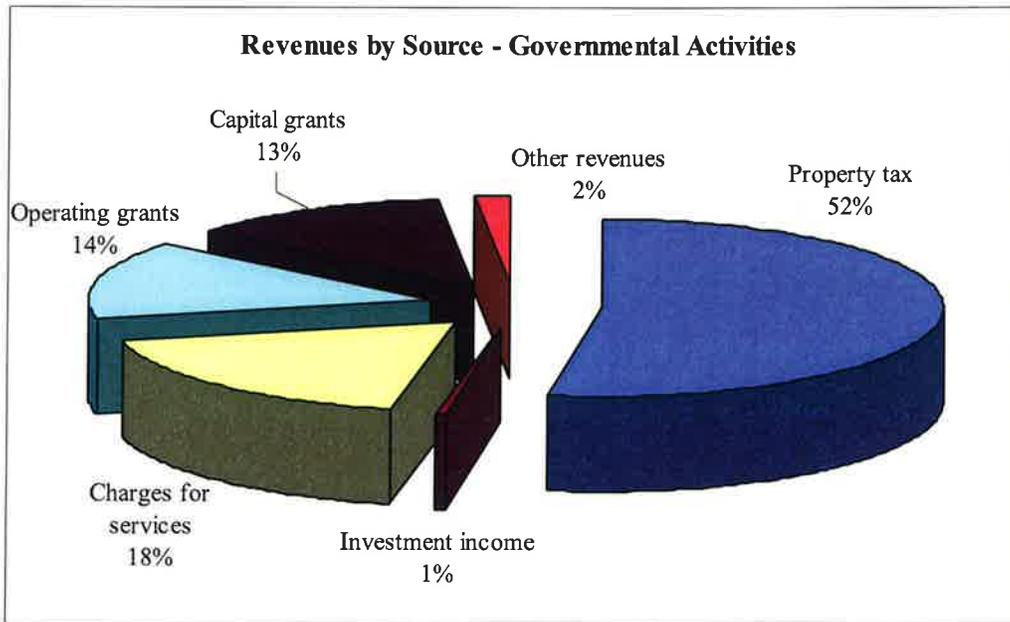
**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Summary Statement of Activities

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,348,621	\$ 4,256,307	\$ 5,604,928
Operating Grants & Contributions	1,050,574	0	1,050,574
Capital Grants & Contributions	920,671	1,000,000	1,920,671
General Revenues:			0
Property Taxes	3,765,017	0	3,765,017
Other	226,454	44,403	270,857
	<u>7,311,337</u>	<u>5,300,710</u>	<u>12,612,047</u>
Expenses:			
General Government	947,435	0	947,435
Public Safety	4,190,064	0	4,190,064
Public Works	571,072	0	571,072
Culture and Recreation	485,389	0	485,389
Community Development	2,356	0	2,356
Interest on Long-Term Debt	62,959	0	62,959
Water	0	1,714,023	1,714,023
Sewer	0	2,365,686	2,365,686
	<u>6,259,275</u>	<u>4,079,709</u>	<u>10,338,984</u>
Increase in Net Assets	1,052,062	1,221,001	2,273,063
Net Assets, July 1, 2010	<u>3,080,312</u>	<u>12,030,672</u>	<u>15,110,984</u>
Net Assets, June 30, 2011	<u>\$ 4,132,374</u>	<u>\$ 13,251,673</u>	<u>\$ 17,384,047</u>

The following graph is a visual representation of the revenue categories for the governmental activities. The majority of revenue supporting the governmental activities comes from property taxes including interest and penalties on delinquent taxes. Total governmental activities revenue for the year ended June 30, 2011 is \$7,311,337; 52% or \$3,860,810 of this was raised through property taxes including interest and penalties on delinquent taxes. The second largest category of revenue is charges for services coming in at 18% or \$1,348,621.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

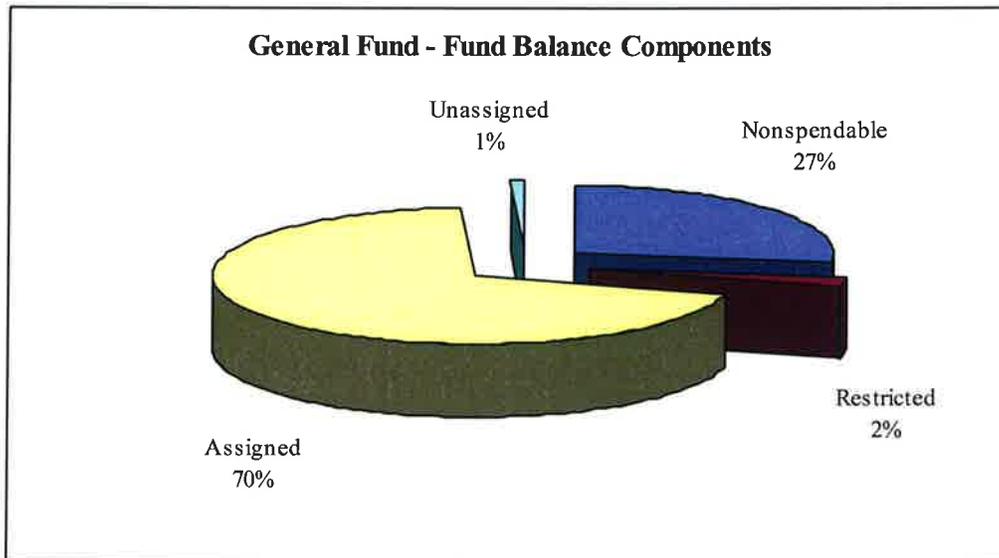
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Due to a number of restatements during the June 30, 2011 audit, management has chosen not to present comparative data as it would not be relevant to the analysis of the government's funds.

Governmental Funds

The focus of the City's governmental funds is to provide information on current year revenue, expenditures, and balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the city. As of June 30, 2011 total fund balance in the General Fund was \$740,522 and unassigned fund balance \$6,687. Assigned fund balance makes up the largest portion of General Fund fund balance coming in at \$517,393 or 70% of total fund balance. Detail on fund balances can be found starting on page 47 of this report with a list of assigned fund balance items detailed on page 50. The following graph is a visual representation of the components of the General Fund fund balance.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2011 were \$25,402,425 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 8.08% (a 36.43% increase for governmental activities and a 2.76% increase for business-type activities).

Comparing the dollar amount of depreciable assets to accumulated depreciation provides readers with an idea of where the City's assets are in their useful lives. Total depreciable governmental activities capital assets were \$5,164,471 as of June 30, 2011 with related accumulated depreciation of \$1,564,933. Accumulated depreciation as a percentage of cost indicates that, as a whole, the depreciable assets are at 30.30% of their useful lives. When this information is broken down by category of asset buildings and building improvements; vehicles, machinery and equipment; and infrastructure are at 43.56%, 31.86%, and 10.33% of their useful lives, respectively. When this same ratio is applied to the business-type activities of the City, accumulated depreciation of \$11,347,798 as a percentage of total depreciable assets of \$26,304,021 indicates that the assets of the City's business-type activities are at 43.14% of their useful lives. When this information is broken down by category of asset, buildings, distribution and collection systems and improvements are at 42.91% of their useful lives and machinery and equipment is at 45.51% of their useful lives.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Major capital asset activity for the year ended June 30, 2011 included the following:

- Through a combination of grants funds, bond proceeds, and capital reserves the City purchased a new fire truck for a total of \$719,146.
- A variety of paving projects were completed, including various City streets and refurbishing the Court House Parking lot for a total cost of \$232,191.
- Deferred maintenance to the digester at the wastewater treatment plant was performed costing \$98,338.
- Additions to construction in progress include continued work on the wastewater treatment facility upgrade, the federal street bypass project, and the streetscape project.

Additional information on the City's capital assets can be found beginning on page 37 of this report.

Long-Term Debt

The City began the year with \$10,375,036 in long-term debt outstanding. As of June 30, 2011 this amount had decreased by \$216,917 or 2.09% to end the current year with \$10,158,119 in long-term debt outstanding.

Factors contributing to the change include the following:

- In the governmental activities section, the City paid off two debt items totaling \$248,413.
- The City retired two debt items in the business-type activities totaling \$76,142. In addition to this, the City recognized \$1,000,000 of bonds payable that were granted to the City.
- In addition to the previous items, \$620,966 in principal payments were made during the year.
- New long-term debt items include \$150,000 to finance improvements to the Court House Parking Lot; \$105,000 for the Federal Street Connector Project; \$133,000 for a Single Axle Truck; \$220,000 toward the purchase of a new fire truck; \$48,920 for the purchase of a new backhoe; and an additional \$1,071,684 in improvements to the Wastewater Treatment Facility.

Additional information about long-term debt can be found beginning on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors

City Management and elected officials continue to focus on reducing pressure on property taxes and increasing our investment in capital projects and infrastructure. We have attacked this problem from both the revenue and expense side. On the revenue side, the City has made greater use of fees and intergovernmental contracts for services, particularly public safety. On the expense side, the City has deployed an aggressive cost containment program in insurance, re-structured several positions for increased cross training, and realized economies of scale by regionalizing public safety services. This has allowed for a re-allocation of resources away from personnel and towards infrastructure.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Outlook and Future Development

The City is deeply engaged in several economic development, transportation, and public infrastructure initiatives designed to increase the tax base.

The Federal Street Multi-modal connector is a new road that will connect the Interstate Access with the City Industrial Park and improve access for Mylan Technologies, the St. Albans Co-op, and Amtrak, while creating several new development lots. This project will be shovel-ready in three years using mostly federal dollars. Construction will likely occur using tax increment financing or federal grants.

The Main Street Streetscaping project will complete a series of pedestrian and traffic enhancements using a complete streets methodology. New wider sidewalks, ornamental street lights with buried power lines, new street trees that help manage stormwater, and a new signage system will help make the downtown a more attractive location for business investment. This \$3 million project is presently in design and is likely to break ground in 2012, and be completed in 2013.

The City is pursuing an alternative energy development project for the Fonda site and is in discussions with developers over other development sites that could form the backbone of the City's Tax Increment Finance District. The City has filed an application for a T.I.F. with the Vermont Economic Progress Council.

Recently, Mylan Technologies announced the construction of a 90,000 square foot manufacturing building and the St. Albans Co-op has announced plans to construct a new farm store on several blighted housing lots. These are very positive signs that the private sector is increasing investment in the City and we are optimistic that the City will continue to be able to do the same.

REQUESTS FOR INFORMATION

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,192,922	\$ 231,223	\$ 1,424,145
Investments	155,039	0	155,039
Receivables (Net of Allowance for Uncollectibles)	764,967	1,042,382	1,807,349
Loans Receivable	98,887	0	98,887
Internal Balances	(550,048)	550,048	0
Prepaid Expenses	22,084	0	22,084
Capital Assets			
Land	940,932	197,000	1,137,932
Construction in Progress	523,762	5,184,970	5,708,732
Other Capital Assets, (Net of Accumulated Depreciation)	<u>3,599,538</u>	<u>14,956,223</u>	<u>18,555,761</u>
Total Assets	<u>6,748,083</u>	<u>22,161,846</u>	<u>28,909,929</u>
<u>LIABILITIES</u>			
Accounts Payable	261,520	362,239	623,759
Accrued Payroll and Benefits Payable	47,660	3,519	51,179
Deferred Revenue	92,293	2,698	94,991
Accrued Interest Payable	6,455	64,617	71,072
Noncurrent Liabilities:			
Due within One Year	285,649	473,762	759,411
Due in More than One Year	<u>1,922,132</u>	<u>8,003,338</u>	<u>9,925,470</u>
Total Liabilities	<u>2,615,709</u>	<u>8,910,173</u>	<u>11,525,882</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	4,094,397	12,053,482	16,147,879
Restricted	264,656	0	264,656
Unrestricted/(Deficit)	<u>(226,679)</u>	<u>1,198,191</u>	<u>971,512</u>
Total Net Assets	<u>\$ 4,132,374</u>	<u>\$ 13,251,673</u>	<u>\$ 17,384,047</u>

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 947,435	\$ 136,402	\$ 218,464	\$ 0	\$ (592,569)	\$ 0	\$ (592,569)
Public Safety	4,190,064	684,202	669,490	510,020	(2,326,352)	0	(2,326,352)
Public Works	571,072	28,111	158,620	410,651	26,310	0	26,310
Culture and Recreation	485,389	414,298	4,000	0	(67,091)	0	(67,091)
Community Development	2,356	85,608	0	0	83,252	0	83,252
Interest on Long-term Debt	62,959	0	0	0	(62,959)	0	(62,959)
Total Governmental Activities	6,259,275	1,348,621	1,050,574	920,671	(2,939,409)	0	(2,939,409)
Business-Type Activities:							
Water	1,714,023	1,988,380	0	0	0	274,357	274,357
Sewer	2,365,686	2,267,927	0	1,000,000	0	902,241	902,241
Total Business-Type Activities	4,079,709	4,256,307	0	1,000,000	0	1,176,598	1,176,598
Total Primary Government	\$ 10,338,984	\$ 5,604,928	\$ 1,050,574	\$ 1,920,671	(2,939,409)	1,176,598	(1,762,811)
General Revenues:							
Property Taxes					3,765,017	0	3,765,017
Interest and Penalties on Delinquent Taxes					95,793	0	95,793
Unrestricted Investment Earnings					7,934	42,313	50,247
General State Grants					85,435	0	85,435
Other Revenues					34,005	5,377	39,382
Transfers In/(Out)					3,287	(3,287)	0
Total General Revenues and Transfers In/(Out)					3,991,471	44,403	4,035,874
Change in Net Assets					1,052,062	1,221,001	2,273,063
Net Assets - July 1, 2010, As Restated					3,080,312	12,030,672	15,110,984
Net Assets - June 30, 2011					\$ 4,132,374	\$ 13,251,673	\$ 17,384,047

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

CITY OF ST. ALBANS, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 1,169,058	\$ 23,864	\$ 1,192,922
Investments	59,400	95,639	155,039
Receivables (Net of Allowance for Uncollectibles)	458,170	306,797	764,967
Due from Other Funds	0	60,853	60,853
Advances to Other Funds	178,439	50,476	228,915
Loans Receivable	0	98,887	98,887
Prepaid Expenses	<u>22,084</u>	<u>0</u>	<u>22,084</u>
 Total Assets	 <u>\$ 1,887,151</u>	 <u>\$ 636,516</u>	 <u>\$ 2,523,667</u>
 <u>LIABILITIES</u>			
Liabilities:			
Accounts Payable	\$ 135,749	\$ 125,771	\$ 261,520
Accrued Payroll and Benefits Payable	47,224	436	47,660
Due to Other Funds	563,893	47,008	610,901
Advances from Other Funds	0	228,915	228,915
Deferred Revenue	<u>399,763</u>	<u>343,995</u>	<u>743,758</u>
 Total Liabilities	 <u>1,146,629</u>	 <u>746,125</u>	 <u>1,892,754</u>
Fund Balances/(Deficit):			
Nonspendable	200,523	50,476	250,999
Restricted	15,919	115,293	131,212
Assigned	517,393	0	517,393
Unassigned	<u>6,687</u>	<u>(275,378)</u>	<u>(268,691)</u>
 Total Fund Balances/(Deficit)	 <u>740,522</u>	 <u>(109,609)</u>	 630,913
 Total Liabilities and Fund Balances	 <u>\$ 1,887,151</u>	 <u>\$ 636,516</u>	

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 in the Funds.	5,064,232
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	651,465
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	<u>(2,214,236)</u>
Net Assets of Governmental Activities	<u>\$ 4,132,374</u>

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 3,707,017	\$ 0	\$ 3,707,017
Penalties and Interest	95,793	0	95,793
Intergovernmental Revenues	1,338,102	609,106	1,947,208
Charges for Services	1,295,571	16,017	1,311,588
Investment Income	6,447	1,487	7,934
Loan Repayments	0	3,662	3,662
Licenses and Permits	113,486	0	113,486
Other Revenue	58,346	4,766	63,112
Total Revenues	<u>6,614,762</u>	<u>635,038</u>	<u>7,249,800</u>
Expenditures:			
Current:			
General Government	1,006,819	231,858	1,238,677
Public Safety	3,982,773	73,100	4,055,873
Public Works	535,024	0	535,024
Culture and Recreation	452,563	12,979	465,542
Community Development	0	2,356	2,356
Capital Outlay:			
Public Safety	797,549	35,020	832,569
Highways and Streets	105,882	661,270	767,152
Debt Service:			
Principal	483,187	0	483,187
Interest	65,292	0	65,292
Total Expenditures	<u>7,429,089</u>	<u>1,016,583</u>	<u>8,445,672</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(814,327)</u>	<u>(381,545)</u>	<u>(1,195,872)</u>
Other Financing Sources/(Uses):			
Proceeds of Long-Term Debt	274,118	255,000	529,118
Proceeds from Sale of Equipment	4,350	0	4,350
Transfers In	16,017	78,028	94,045
Transfers Out	(74,741)	(16,017)	(90,758)
Total Other Financing Sources/(Uses)	<u>219,744</u>	<u>317,011</u>	<u>536,755</u>
Net Change in Fund Balances	(594,583)	(64,534)	(659,117)
Fund Balances/(Deficit) - July 1, 2010, As Restated	<u>1,335,105</u>	<u>(45,075)</u>	<u>1,290,030</u>
Fund Balances/(Deficit) - June 30, 2011	<u>\$ 740,522</u>	<u>\$ (109,609)</u>	<u>\$ 630,913</u>

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

CITY OF ST. ALBANS, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

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

Net change in fund balances - total government funds (Exhibit D)	\$	(659,117)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,599,721) is allocated over their estimated useful lives and reported as depreciation expense (\$187,577). This is the amount by which capital outlays exceeded depreciation in the current period.		1,412,144
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, loss on disposals and donations) is to decrease net assets.		(59,785)
The issuance of long-term debt (\$529,118) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$483,187) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(45,931)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the increase of deferred revenue over last year.		244,652
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>160,099</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>1,052,062</u></u>

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Current Assets:			
Cash	\$ 133,316	\$ 97,907	\$ 231,223
Receivables (Net of Allowance for Uncollectible Accounts)	448,152	594,230	1,042,382
Due from Other Funds	<u>689,118</u>	<u>0</u>	<u>689,118</u>
Total Current Assets	<u>1,270,586</u>	<u>692,137</u>	<u>1,962,723</u>
Noncurrent Assets:			
Capital Assets			
Land	155,000	42,000	197,000
Construction in Progress	57,166	5,127,804	5,184,970
Buildings, Distribution and Collection System and Improvements	7,318,389	16,647,232	23,965,621
Vehicles, Machinery and Equipment	1,010,708	1,327,692	2,338,400
Less Accumulated Depreciation	<u>(3,199,705)</u>	<u>(8,148,093)</u>	<u>(11,347,798)</u>
Total Noncurrent Assets	<u>5,341,558</u>	<u>14,996,635</u>	<u>20,338,193</u>
Total Assets	<u>\$ 6,612,144</u>	<u>\$ 15,688,772</u>	<u>\$ 22,300,916</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 84,564	\$ 277,675	\$ 362,239
Accrued Payroll	1,520	1,999	3,519
Due to Other Funds	0	139,070	139,070
Deferred Revenue	2,698	0	2,698
Accrued Interest Payable	61,953	2,664	64,617
Bonds Payable - Current Portion	79,963	0	79,963
Notes Payable - Current Portion	97,936	283,199	381,135
Capital Lease Payable - Current Portion	<u>6,332</u>	<u>6,332</u>	<u>12,664</u>
Total Current Liabilities	<u>334,966</u>	<u>710,939</u>	<u>1,045,905</u>
Noncurrent Liabilities			
Compensated Absences Payable	56,053	104,498	160,551
Bonds Payable - Noncurrent Portion	3,501,552	0	3,501,552
Notes Payable - Noncurrent Portion	127,884	4,200,311	4,328,195
Capital Lease Payable - Noncurrent Portion	<u>6,520</u>	<u>6,520</u>	<u>13,040</u>
Total Noncurrent Liabilities	<u>3,692,009</u>	<u>4,311,329</u>	<u>8,003,338</u>
Total Liabilities	<u>4,026,975</u>	<u>5,022,268</u>	<u>9,049,243</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt Unrestricted	1,537,290	10,516,192	12,053,482
	<u>1,047,879</u>	<u>150,312</u>	<u>1,198,191</u>
Total Net Assets	<u>2,585,169</u>	<u>10,666,504</u>	<u>13,251,673</u>
Total Liabilities and Net Assets	<u>\$ 6,612,144</u>	<u>\$ 15,688,772</u>	<u>\$ 22,300,916</u>

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund	Wastewater Fund	Total
Operating Revenues:			
Charges for Services	\$ 1,821,977	\$ 2,174,795	\$ 3,996,772
Penalties & Interest	14,245	19,018	33,263
Allocation Fees	129,755	64,477	194,232
Land Lease	15,000	0	15,000
Other Income	7,403	9,637	17,040
Total Operating Revenues	1,988,380	2,267,927	4,256,307
Operating Expenses:			
Salaries and Benefits	587,023	861,666	1,448,689
Other Purchased Services	104,949	214,684	319,633
Chemicals	131,923	374,982	506,905
Repairs and Maintenance	80,530	101,804	182,334
Insurances	54,478	55,638	110,116
Utilities	223,344	205,837	429,181
Supplies	32,571	45,426	77,997
Real Estate and State Water Taxes	38,991	4,637	43,628
Other Operating Costs	45,785	43,073	88,858
Depreciation	242,526	436,573	679,099
Total Operating Expenses	1,542,120	2,344,320	3,886,440
Operating Income/(Loss)	446,260	(76,393)	369,867
Nonoperating Revenues (Expenses):			
Timber Revenue	5,377	0	5,377
Investment Income	26,201	16,112	42,313
Interest Expense	(171,903)	(21,366)	(193,269)
Total Nonoperating Revenues (Expenses)	(140,325)	(5,254)	(145,579)
Net Income/(Loss) Before Capital Contributions and Transfers In/(Out)	305,935	(81,647)	224,288
Capital Contributions	0	1,000,000	1,000,000
Transfers Out	(1,643)	(1,644)	(3,287)
Change in Net Assets	304,292	916,709	1,221,001
Net Assets - July 1, 2010, As Restated	2,280,877	9,749,795	12,030,672
Net Assets - June 30, 2011	\$ 2,585,169	\$ 10,666,504	\$ 13,251,673

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,954,796	\$ 2,228,122	\$ 4,182,918
Other Receipts	22,403	9,637	32,040
Timber Revenue	5,377	0	5,377
Payments to Suppliers	(643,871)	(995,256)	(1,639,127)
Payment of Taxes	(38,991)	(4,637)	(43,628)
Payments for Wages and Benefits	(583,213)	(861,194)	(1,444,407)
Net Cash Provided by Operating Activities	716,501	376,672	1,093,173
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	(168,408)	62,619	(105,789)
Transfers Paid to Other Funds	(1,643)	(1,644)	(3,287)
Net Cash Provided/(Used) by Noncapital Financing Activities	(170,051)	60,975	(109,076)
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(98,594)	(878,427)	(977,021)
Proceeds of Long-Term Debt	44,333	1,116,017	1,160,350
Net Change in Line of Credit	0	(320,000)	(320,000)
Principal Paid on:			
General Obligation Bonds	(76,525)	0	(76,525)
Notes Payable	(128,354)	(244,023)	(372,377)
Capital Leases	(6,716)	(6,716)	(13,432)
Interest Paid on:			
General Obligation Bonds	(163,717)	0	(163,717)
Notes Payable	(9,762)	(22,703)	(32,465)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(439,335)	(355,852)	(795,187)
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	26,201	16,112	42,313
Net Cash Provided by Investing Activities	26,201	16,112	42,313
Net Increase in Cash	133,316	97,907	231,223
Cash - July 1, 2010	0	0	0
Cash - June 30, 2011	\$ 133,316	\$ 97,907	\$ 231,223
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	446,260	(76,393)	369,867
Depreciation	242,526	436,573	679,099
Timber Revenue	5,377	0	5,377
(Increase)/Decrease in Receivables	(13,879)	(30,168)	(44,047)
Increase/(Decrease) in Accounts Payable	29,709	46,188	75,897
Increase/(Decrease) in Accrued Payroll	1,520	1,999	3,519
Increase/(Decrease) in Deferred Revenue	2,698	0	2,698
Increase/(Decrease) in Compensated Absences Payable	2,290	(1,527)	763
Net Cash Provided by Operating Activities	\$ 716,501	\$ 376,672	\$ 1,093,173

Non-Cash/Supplemental Information:

\$1,000,000 of notes payable for the Wastewater Fund was paid off with a grant.

\$12,000 and \$197,911 of capital asset acquisitions for the Water and Wastewater Funds, respectively, are included in accounts payable as of June 30, 2011.

\$19,568 of capital assets were acquired with a capital lease in both the Water and Wastewater Funds.

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

CITY OF ST. ALBANS, VERMONT
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2011

	Agency Fund
	Zoning Escrow Fund
<u>ASSETS</u>	
Cash	\$ <u>503</u>
Total Assets	<u>503</u>
<u>LIABILITIES</u>	
Due to Others	<u>503</u>
Total Liabilities	<u>503</u>
<u>NET ASSETS</u>	
Total Net Assets	\$ <u><u>0</u></u>

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The City of St. Albans, Vermont (herein the "City") is a municipal corporation operating under a council-manager form of government. It is governed by seven (7) elected officials – a mayor and six (6) council members. The City is made up of six (6) individual wards, each being represented by one of the six (6) elected council members. The City Council appoints a City Manager to oversee the general operations of the City.

The City provides the following services as authorized by its charter: public safety (police, ambulance, fire and animal control), highways and streets, sanitation, culture and recreation, community and economic development, planning and zoning, water, wastewater and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

This report should include all of the funds of the City of St. Albans, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there is one fund, the Pension Fund, that should be combined with the financial statements of the City, but is not.

B. Basis of Presentation

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

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

The City reports on the following major governmental fund:

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

The City reports on the following major enterprise funds:

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

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

The City also reports an Agency Fund for the monies held in escrow for a zoning issue.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, issued on or before November 30, 1989; unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the City has elected not to apply FASB Statements issued after November 30, 1989.

E. Use of Estimates

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

F. Assets, Liabilities and Equity

1. Cash

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

2. Investments

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

3. Receivables

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

4. Internal Balances

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

5. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the General Fund consist of materials and inventories in the Proprietary Funds consists of chemicals and materials. There were no recorded inventories as of June 30, 2011.

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

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

CITY OF ST. ALBANS, VERMONT
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 JUNE 30, 2011

6. Capital Assets

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

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

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

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

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

7. Compensated Absences

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

CITY OF ST. ALBANS, VERMONT
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8. Long-term Liabilities

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

9. Fund Equity

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

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

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

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

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

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

A. Governmental Funds Balance Sheet and the Statement of Net Assets

The differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash	\$ 1,192,922	\$ 0	\$ 0	\$ 0	\$ 0	1,192,922
Investments	155,039	0	0	0	0	155,039
Receivables	764,967	0	0	0	0	764,967
Due from Other Funds	60,853	0	0	0	(610,901)	(550,048)
Advances to Other Funds	228,915	0	0	0	(228,915)	0
Loans Receivable	98,887	0	0	0	0	98,887
Prepaid Expenses	22,084	0	0	0	0	22,084
Capital Assets	0	0	5,064,232	0	0	5,064,232
Total Assets	2,523,667	0	5,064,232	0	(839,816)	6,748,083
LIABILITIES						
Accounts Payable	261,520	0	0	0	0	261,520
Accrued Payroll and Benefits Payable	47,660	0	0	0	0	47,660
Due to Other Funds	610,901	0	0	0	(610,901)	0
Advances from Other Funds	228,915	0	0	0	(228,915)	0
Deferred Revenue	743,758	(651,465)	0	0	0	92,293
Accrued Interest Payable	0	6,455	0	0	0	6,455
Noncurrent Liabilities	0	366,211	0	1,841,570	0	2,207,781
Total Liabilities	1,892,754	(278,799)	0	1,841,570	(839,816)	2,615,709
NET ASSETS						
Invested in Capital Assets	0	0	5,064,232	(969,835)	0	4,094,397
Other	630,913	278,799	0	(871,735)	0	37,977
Total Net Assets	\$ 630,913	\$ 278,799	\$ 5,064,232	\$ (1,841,570)	\$ 0	\$ 4,132,374

CITY OF ST. ALBANS, VERMONT
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B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The difference between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities are as follows:

	Statement of Revenues, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 3,707,017	\$ 58,000	\$ 0	\$ 0	\$ 0	\$ 3,765,017
Penalties and Interest	95,793	0	0	0	0	95,793
Intergovernmental Revenues	1,947,208	104,882	0	0	(1,966,655)	85,435
Charges for Services	1,311,588	0	0	0	37,033	1,348,621
Operating Grants and Contributions	0	0	0	0	1,050,574	1,050,574
Capital Grants and Contributions	0	0	0	0	920,671	920,671
Investment Income	7,934	0	0	0	0	7,934
Loan Repayments	3,662	81,770	0	0	(85,432)	0
Licenses and Permits	113,486	0	0	0	(113,486)	0
Other Revenues	63,112	0	0	0	(29,107)	34,005
Proceeds of Long-Term Debt	529,118	0	0	(529,118)	0	0
Proceeds from Sale of Equipment	4,350	0	(4,350)	0	0	0
Transfers from Other Funds	94,045	0	0	0	(90,758)	3,287
Total Revenues	7,877,313	244,652	(4,350)	(529,118)	(277,160)	7,311,337
EXPENDITURES						
General Government	1,238,677	(109,637)	4,797	0	(186,402)	947,435
Public Safety	4,055,873	(28,046)	162,237	0	0	4,190,064
Highways and Streets	535,024	(22,409)	58,457	0	0	571,072
Culture and Recreation	465,542	2,326	17,521	0	0	485,389
Community Development	2,356	0	0	0	0	2,356
Capital Outlay	1,599,721	0	(1,599,721)	0	0	0
Debt Service	548,479	(2,333)	0	(483,187)	0	62,959
Transfers to Other Funds	90,758	0	0	0	(90,758)	0
Total Expenditures	8,536,430	(160,099)	(1,356,709)	(483,187)	(277,160)	6,259,275
Net Change for the Year	\$ (659,117)	\$ 404,751	\$ 1,352,359	\$ (45,931)	\$ 0	\$ 1,052,062

Interfund Activity of \$186,402 has been eliminated in the Governmental Funds to minimize the double counting of activity.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual City Meeting in March. Any budget changes require voter approval. The only budget change was to increase the Fire Department capital expense and the proceeds of long-term debt by \$220,000 based upon voter approval for a bond at a special election on August 24, 2010.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the General Fund by \$1,077,505. These were funded by available fund balance, unanticipated grant income and proceeds of long-term debt.

C. Restatement of Net Assets/Fund Balances

The net assets for the Governmental Activities/Business-Type Activities and Enterprise Funds were restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
		<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Net Assets – June 30, 2010, As Originally Reported	\$3,006,868	\$2,329,264	\$9,809,533	\$12,138,797
Correction of Misstatements:				
Understatement of Property Tax Receivables	69,000	0	0	0
Understatement of Grant Receivable	149,676	0	0	0
Overstatement of Capital Assets	(166,431)	(30,645)	(24,750)	(55,395)
Overstatement of Deferred Revenue	30,150	0	0	0
Understatement of Accrued Compensated Absences	0	(17,742)	(34,988)	(52,730)
Understatement of Accrued Interest Payable	(8,788)	0	0	0
Reclassification:				
Reclassify Zoning Escrow Fund to an Agency Fund	<u>(163)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets – June 30, 2010, As Restated	<u>\$ 3,080,312</u>	<u>\$2,280,877</u>	<u>\$9,749,795</u>	<u>\$12,030,672</u>

CITY OF ST. ALBANS, VERMONT
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The misstatements for the Governmental Activities were the result of understating property taxes receivable, non-recording of a grant receivable, overstatement of capital assets, inappropriate deferment of certain revenue, understating accrued compensated absences and non-accrual of certain interest. The effect of these corrections on the Governmental Activities Statement of Net Assets is to increase assets by \$52,245, decrease liabilities by \$21,362 and increase net assets by \$73,607. The effect on the 2010 Statement of Activities is not known.

The corrections for the Business-Type Activities/Enterprise Funds were the result of overstating capital assets by \$55,395 and understating accrued compensated absences by \$52,730. The effect of these corrections on the Statement of Net Assets was to decrease assets by \$55,395, increase liabilities by \$52,370 and decrease net assets by \$108,125. The effect on the 2010 Statement of Activities is not known.

The effect on the Water Fund Statement of Net Assets was to decrease assets by \$30,645, increase liabilities by \$17,742 and decrease net assets by \$48,387. The effect on the 2010 Statement of Revenues, Expenses and Changes in Fund Net Assets is not known.

The effect on the Wastewater Fund Statement of Net Assets was to decrease assets by \$24,750, increase liabilities by \$34,988 and decrease net assets by \$59,738. The effect on the 2010 Statement of Revenues, Expenses and Changes in Fund Net Assets is not known.

The fund balances in the following funds were restated as follows:

	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance – June 30, 2010				
As Originally Reported	\$930,328	\$88,704	\$ 0	\$1,019,032
Correction of Misstatements:				
Understatement of				
Tax Receivable	69,000	0	0	69,000
Understatement of				
Deferred Tax Revenue	(240,000)	0	0	(240,000)
Overstatement of Other				
Deferred Revenue	30,150	0	0	30,150
Overstatement of Accrued				
Expenses – Compensated				
Absences	218,373	0	0	218,373
Overstatement of				
Accrued Expenses – Net				
Pension Obligation	193,638	0	0	193,638
Reclassifications:				
Reclassification of				
Court House South				
Lot Fund Deficit to				
Own Fund	10,532	0	(10,532)	0

CITY OF ST. ALBANS, VERMONT
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	<u>General Fund</u>	<u>Community Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Reclassification of Municipal Lot North Fund Deficit to Own Fund	\$ 23,884	\$ 0	\$(23,884)	\$ 0
Reclassification of Federal Street ByPass Fund Deficit to Own Fund	99,200	0	(99,200)	0
Reclassification of Fund Balances to Other Governmental Funds	0	(88,541)	88,541	0
Reclassify Zoning Escrow Fund to an Agency Fund	<u>0</u>	<u>(163)</u>	<u>0</u>	<u>(163)</u>
Fund Balances/(Deficit) – June 30, 2010 As Restated/ Reclassified	<u>\$1,335,105</u>	<u>\$ 0</u>	<u>\$(45,075)</u>	<u>\$1,290,030</u>

The corrections were the result of the following misstatements: recording the incorrect amount of property taxes and deferred revenues and for accruing compensated absences and the net pension liability in the General Fund (these are long-term liabilities that do not get reported in the Governmental Funds).

The effect of these corrections on the General Fund Balance Sheet was that assets were understated by \$69,000, liabilities were overstated by \$202,161 and the fund balance was understated by \$271,161. The effect on the 2010 Statement of Revenue, Expenses and Changes in Fund Balance is not known.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments as of June 30, 2011 consisted of the following:

Cash:	
Cash on Hand	\$ 400
Cash with Financial Institutions	<u>1,424,248</u>
Total Cash	<u>1,424,648</u>
Investments:	
Certificates of Deposit	95,639
Mutual Funds – Cash Equivalents	<u>59,400</u>
Total Investments	<u>155,039</u>
Total Cash and Investments	<u>\$1,579,687</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City does not have any policy to limit the exposure to custodial credit risk. The following table shows the custodial credit risk of the City's deposits.

CITY OF ST. ALBANS, VERMONT
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	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 317,289	\$ 317,621
Uninsured, Uncollateralized, However Offset By Debt to the Respective Bank	<u>1,261,998</u>	<u>1,692,479</u>
Total Cash Deposits	<u>\$ 1,579,287</u>	<u>\$ 2,010,100</u>

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

Deposits are comprised of the following:

Cash with Financial Institutions	\$1,424,248
Certificates of Deposit	95,639
Mutual Funds – Cash Equivalents	<u>59,400</u>
	<u>\$1,579,287</u>

The City has one (1) certificate of deposit for \$95,639 with an interest rate of 1.49%. The certificate of deposit will mature during fiscal year 2012.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have any policy to limit the exposure to interest rate risk. All of the City's certificates of deposits are not subject to interest rate risk disclosure.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's certificates of deposit are exempt from the credit risk analysis. The City does not have any policy to limit the exposure to credit risk.

Concentration of Credit Risk

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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B. Receivables

Receivables at June 30, 2011, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 370,681	\$ 0	\$ 370,681
Penalties and Interest	43,602	0	43,602
Billed Services	0	774,110	774,110
Unbilled Services	0	213,118	213,118
Grants	328,496	0	328,496
Allocation Fees	0	64,790	64,790
Other	29,816	4,864	34,680
Reimbursements	13,372	0	13,372
Allowance for Doubtful Accounts	<u>(21,000)</u>	<u>(14,500)</u>	<u>(35,500)</u>
	<u>\$ 764,967</u>	<u>\$ 1,042,382</u>	<u>\$ 1,807,349</u>

C. Loans Receivable

Loans Receivable at June 30, 2011 consists of two (2) loans for community development as follows:

Loans Receivable, Local Businesses, Interest Ranging from 1% to 4%, Various Terms and Due Dates, Secured by Equipment or Other Assets	\$ <u>102,975</u>
Total	102,975
Plus: Accrued Interest on Note	6,131
Less: Allowance for Doubtful Loans Receivable and Accrued Interest	<u>(10,219)</u>
Reported Value at June 30, 2011	\$ <u>98,887</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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An analysis of the change in loans receivable is as follows:

<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2011</u>
\$ <u>106,576</u>	\$ <u>0</u>	\$ <u>3,601</u>	\$ <u>102,975</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 940,932	\$ 0	\$ 0	\$ 940,932
Construction in Progress	<u>30,851</u>	<u>503,443</u>	<u>10,532</u>	<u>523,762</u>
Total Capital Assets, Not Being Depreciated	<u>971,783</u>	<u>503,443</u>	<u>10,532</u>	<u>1,464,694</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,647,635	0	0	1,647,635
Vehicles, Machinery and Equipment	1,584,046	874,619	211,236	2,247,429
Infrastructure	<u>1,037,216</u>	<u>232,191</u>	<u>0</u>	<u>1,269,407</u>
Totals	<u>4,268,897</u>	<u>1,106,810</u>	<u>211,236</u>	<u>5,164,471</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	683,427	34,315	0	717,742
Vehicles, Machinery and Equipment	740,784	126,680	151,451	716,013
Infrastructure	<u>104,596</u>	<u>26,582</u>	<u>0</u>	<u>131,178</u>
Totals	<u>1,528,807</u>	<u>187,577</u>	<u>151,451</u>	<u>1,564,933</u>
Total Capital Assets, Being Depreciated	<u>2,740,090</u>	<u>919,233</u>	<u>59,785</u>	<u>3,599,538</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,711,873</u>	<u>\$ 1,422,676</u>	<u>\$ 70,317</u>	<u>\$ 5,064,232</u>
	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 197,000	\$ 0	\$ 0	\$ 197,000
Construction in Progress	<u>4,202,082</u>	<u>982,888</u>	<u>0</u>	<u>5,184,970</u>
Total Capital Assets, Not Being Depreciated	<u>4,399,082</u>	<u>982,888</u>	<u>0</u>	<u>5,381,970</u>
Capital Assets, Being Depreciated:				
Buildings, Distribution and Collection Systems & Improvement	23,946,021	19,600	0	23,965,621
Machinery and Equipment	<u>2,114,820</u>	<u>223,580</u>	<u>0</u>	<u>2,338,400</u>
Totals	<u>26,060,841</u>	<u>243,180</u>	<u>0</u>	<u>26,304,021</u>
Less Accumulated Depreciation for:				
Buildings, Distribution and Collection Systems & Improvement	9,804,486	479,037	0	10,283,523
Machinery and Equipment	<u>864,213</u>	<u>200,062</u>	<u>0</u>	<u>1,064,275</u>
Totals	<u>10,668,699</u>	<u>679,099</u>	<u>0</u>	<u>11,347,798</u>
Total Capital Assets, Being Depreciated	<u>15,392,142</u>	<u>(435,919)</u>	<u>0</u>	<u>14,956,223</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,791,224</u>	<u>\$ 546,969</u>	<u>\$ 0</u>	<u>\$ 20,338,193</u>

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Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 4,797	Water	\$ 242,526
Public Safety	106,802	Sewer	<u>436,573</u>
Public Works	58,457		
Culture and Recreation	<u>17,521</u>		
 Total Depreciation Expense - Governmental Activities	 \$ <u>187,577</u>	 Total Depreciation Expense - Business- Type Activities	 \$ <u>679,099</u>

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

E. Interfund Balances and Activity

The composition of Due From/(To) Other Funds at June 30, 2011 is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 563,893
Other Governmental Funds	60,853	47,008
Water Fund	689,118	0
Wastewater Fund	<u>0</u>	<u>139,070</u>
 Total	 \$ <u>749,971</u>	 \$ <u>749,971</u>

The composition of Advances To/(From) Other Funds at June 30, 2011 is as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$178,439	\$ 0
Revolving Loan Fund	50,476	0
SOLO Building Fund	0	41,620
Fonda Remediation Fund	0	24,565
Federal Street Bypass Fund	0	149,676
Streetscape Improvement Fund	<u>0</u>	<u>13,054</u>
 Total	 \$ <u>228,915</u>	 \$ <u>228,915</u>

CITY OF ST. ALBANS, VERMONT
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The advances will be repaid as receivables are collected, the SOLO Building sold or from a transfer from the General Fund. Interest is at 0% for these advances.

Interfund transfers during the year ended June 30, 2011 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	VCDP Grants Fund	\$ 3,338	Fund local match on grants
General Fund	Fonda Remediation Fund	4,000	Fund local match on grant
General Fund	Court House South Lot Fund	18,358	Fund project deficit
General Fund	Municipal Lot North Fund	35,626	Fund project deficit
General Fund	Central Lot Fund	4,718	Fund project deficit
General Fund	Streetscape Improvement Fund	8,701	Fund local match on grant
Court House South Lot Fund	General Fund	16,017	Transfer Reserves
Water Fund	Streetscape Improvement Fund	1,643	Local Match Contribution
Wastewater Fund	Streetscape Improvement Fund	<u>1,644</u>	Local Match Contribution
Total		<u>\$ 94,045</u>	

F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$298,000 of delinquent property taxes and penalty and interest on those taxes, and \$9,500 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities, \$33,942 of fiscal year 2012 taxes received in advance, \$12,000 of parking fees received in advance, \$16,043 of public inspection and other fees received in advance and \$30,278 of grant revenue received in advance. The revenue will be recognized as delinquent taxes and other receivables are collected, fiscal year 2012 taxes are billed, parking and other services are provided and as expenses are incurred for the grants. Total Deferred Revenue in the General Fund is \$399,763.

Deferred Revenue in the Other Governmental Funds consists of \$98,887 of net loans receivable and \$245,078 grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$30 of grant revenue received in advance. Total deferred revenue in the Other Governmental Funds is \$343,995.

Deferred Revenue in the Water Fund of \$2,698 consists of water fees received in advance. This revenue will be earned in 2012 as water fees are billed.

G. Long-term Liabilities

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

CITY OF ST. ALBANS, VERMONT
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General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds generally are issued as 10 to 20 year bonds.

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

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

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

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

Net Pension Obligation - The City has recorded a liability in its Government-Wide Governmental Activities financial statements related to underfunding its annual required contribution related to the City of St. Albans pension plan as described in Note V.B.

Long-term liabilities outstanding as of June 30, 2011 were as follows:

Bonds, Notes and Capital Leases Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
Note Payable – Peoples Trust Company; Blouin Parking Lot; Interest at 3.75%; Monthly Principal and Interest Payments of \$1,252; Due November 4, 2020	\$ 128,920	\$ 0	\$ 8,617	\$ 120,303

CITY OF ST. ALBANS, VERMONT
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	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</u>
Note Payable – Peoples Trust Company; 32 Nason Street Property; Interest at 3.75%; Monthly Principal and Interest Payments of \$997; Due December 25, 2016	\$ 67,871	\$ 0	\$ 9,565	\$ 58,306
Note Payable – Peoples Trust Company; Fonda Building Purchase; Interest at 2.25%; Due July 23, 2011; The City is Making Interest Only Payments and Renewing Each Year Until the Property is Sold	325,816	0	0	325,816
Note Payable – Peoples Trust Company; Refinanced 2008 Tax Anticipation Note; Interest at 3.25%; Monthly Principal and Interest Payments of \$5,286; Originally Due January 7, 2014; Paid During 2011	209,672	0	209,672	0
Note Payable – Peoples Trust Company; Fire Truck Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,764; Due April 28, 2014	74,936	0	19,348	55,588
Bond Payable – Vermont Municipal Bond Bank; Retirement of the Fund Balance Deficit in the General Fund; Interest Varies from 1.90% to 4.87%; Annual Principal Payments Ranging from \$95,000 to \$100,000 Due Each November; Semi-Annual Interest Payments Due Each May and November Due November 15, 2014	485,000	0	100,000	385,000
Note Payable – Key Government Finance; Interest at 4.24%; Annual Principal and Interest Payments of \$40,414; Due and Paid July 15, 2010	38,741	0	38,741	0

CITY OF ST. ALBANS, VERMONT
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JUNE 30, 2011

	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</u>
Note Payable – Peoples Trust Company; Purchase of Little League Fields; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,563; Due July 23, 2014	\$ 72,344	\$ 0	\$ 16,974	\$ 55,370
Note Payable – Peoples Trust Company; Purchase of 27-33 Federal Street; Interest at 3.75%; Monthly Principal and Interest Payments of \$1,665; Due September 4, 2023	207,339	0	11,317	196,022
Bond Payable – Vermont Municipal Bond Bank; Library Improvements; Interest at 5.00%; Annual Principal Payments Ranging from \$35,000 to \$40,000 Due Each December; Semi-Annual Interest Payments Due Each June and December; Due December 1, 2014	185,000	0	40,000	145,000
Note Payable – Peoples Trust Company; Court House Parking Lot; Interest at 3.75%; Monthly Principal and Interest Payments of \$1,501; Due July 14, 2020	0	150,000	11,547	138,453
Note Payable – Peoples Trust Company; One Third (33.34%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	0	44,334	0	44,334
Note Payable – Peoples Trust Company; Federal Street Project Local Match; Interest at 2.00%; Monthly Principal and Interest Payments of \$2,222; Due June 30, 2012 at Which Time the City will Refinance the Note	0	105,000	14,048	90,952

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
<p>Bond Payable – Vermont Municipal Bond Bank; Fire Truck Purchase; Interest Varies from 0.777% to 2.731%; Annual Principal Payments Ranging From \$20,000 to \$25,000 Due Each December Semi-Annual Interest Payments Due Each June and December; Due December 1, 2020</p>	\$ 0	\$ 220,000	\$ 0	\$ 220,000
<p>Capital Lease Payable – Sun Trust Equipment Financing and Leasing Corporation; Twenty Percent (20%) of Backhoe Purchase; Interest at 2.99%; Due in Three (3) Payments of \$3,358; Due November 9, 2012</p>	<u>0</u>	<u>9,784</u>	<u>3,358</u>	<u>6,426</u>
<p>Total Governmental Activities</p>	<u>\$1,795,639</u>	<u>\$ 529,118</u>	<u>\$483,187</u>	<u>\$1,841,570</u>

Business-Type Activities

Water Fund

<p>Bond Payable – USDA Rural Development; Water Improvements; Interest at 4.50%; Annual Principal and Interest Payments of \$240,242; Due February 4, 2036. Subsequent To Year End, the City Refinanced This Bond through the Vermont Municipal Bond Bank; Interest Now at 3.93%, Annual Payments of \$231,195, Due November 15, 2036</p>	\$ 3,658,040	\$ 0	\$ 76,525	\$ 3,581,515
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<p>Note Payable – Peoples Trust Company; Fifty Percent (50%) Water Meter Loan; Interest at 2.75%; Annual Principal and Interest Payments of \$94,582; Due September 1, 2012</p>	271,770	0	90,283	181,487
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CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</u>
Note Payable – Peoples Trust Company; Equipment Loan; Interest at 3.00%; Monthly Principal and Interest Payments of \$3,510; Due and Paid May 4, 2011	\$ 38,071	\$ 0	\$ 38,071	\$ 0
Note Payable – Peoples Trust Company; One Third (33.33%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	0	44,333	0	44,333
Capital Lease Payable – Sun Trust Equipment Financing and Leasing Corporation; Forty Percent (40%) of Backhoe Purchase; Interest at 2.99%; Due in Three (3) Payments of \$6,716; Due November 9, 2012	<u>0</u>	<u>19,568</u>	<u>6,716</u>	<u>12,852</u>
Total Water Fund	<u>3,967,881</u>	<u>63,901</u>	<u>211,595</u>	<u>3,820,187</u>

Wastewater Fund:

Note Payable – Peoples Trust Company; Fifty Percent (50%) Water Meter Loan; Interest at 2.75%; Annual Principal and Interest Payments of \$94,582; Due September 1, 2012	\$ 271,770	\$ 0	\$ 90,283	\$ 181,487
Note Payable – Peoples Trust Company; Wastewater Line of Credit Refinancing; Interest at 2.75%; Monthly Principal and Interest Payment of \$10,581; Due April, 2014	461,404	0	115,669	345,735
Note Payable – Peoples Trust Company; Equipment Loan; Interest at 3.00%; Monthly Principal and Interest Payments of \$3,510; Due and Paid May 4, 2011	38,071	0	38,071	0

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</u>
Bond Payable – State of Vermont Special Environmental Revolving Loan Fund; Wastewater Treatment Facility Improvements; Interest at 0.00% Administrative Fee of 2.00%; Annual Principal and Administrative Fee Payments of \$88,677 Beginning June 1, 2012; \$1,000,000 of the Note was Granted to the City; Due June 1, 2031	\$ 2,270,995	\$ 148,226	\$ 1,000,000	\$ 1,419,221
Bond Payable – State of Vermont Special Environmental Revolving Loan Fund; Wastewater Treatment Facility Improvements; Interest at 0.00%; Administrative Fee of 2.00%; Annual Principal and Administrative Fee Payments of \$142,607 Beginning July 1, 2012; Due July 1, 2031	1,396,518	923,458	0	2,319,976
Bond Payable – State of Vermont Special Environmental Revolving Loan Fund; Wastewater Treatment Facility Improvements; \$276,000 Authorized; Interest at 0.00%; Administrative Fee of 2.00%; Annual Principal and Administrative Fee Payments of \$9,851 Beginning June 1, 2012; Due June 1, 2031	161,082	0	0	161,082
Note Payable – State of Vermont Special Environmental Revolving Loan Fund; Wastewater Planning Loan; Interest at 0.00%; \$12,500 Authorized; Annual Payments of \$2,500 Beginning October 1, 2014; Due October 1, 2018	11,676	0	0	11,676
Note Payable – Peoples Trust Company; One Third (33.33%) of Single Axle Truck; Interest at 3.00%; Monthly Principal and Interest Payments of \$797; Due June 30, 2016	0	44,333	0	44,333

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
Capital Lease Payable – Sun Trust Equipment Financing and Leasing Corporation; Forty Percent (40%) of Backhoe Purchase; Interest at 2.99%; Due in Three (3) Payments of \$6,716; Due November 9, 2012	\$ <u>0</u>	\$ <u>19,568</u>	\$ <u>6,716</u>	\$ <u>12,852</u>
Total Wastewater Fund	<u>4,611,516</u>	<u>1,135,585</u>	<u>1,250,739</u>	<u>4,496,362</u>
Total Business-Type Activities	<u>\$ 8,579,397</u>	<u>\$ 1,199,486</u>	<u>\$ 1,462,334</u>	<u>\$ 8,316,549</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 670,000	\$ 220,000	\$ 140,000	\$ 750,000	\$ 165,000
Notes Payable	1,125,639	299,334	339,829	1,085,144	117,483
Capital Leases Payable	0	9,784	3,358	6,426	3,166
Compensated Absences	325,930	0	19,508	306,422	0
Net Pension Obligation	<u>193,639</u>	<u>0</u>	<u>133,850</u>	<u>59,789</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>2,315,208</u>	<u>529,118</u>	<u>636,545</u>	<u>2,207,781</u>	<u>285,649</u>
Business-type Activities					
Bonds Payable	3,658,040	0	76,525	3,581,515	79,963
Notes Payable	4,921,357	1,160,350	1,372,377	4,709,330	381,135
Capital Leases Payable	0	39,136	13,432	25,704	12,664
Compensated Absences	<u>159,788</u>	<u>763</u>	<u>0</u>	<u>160,551</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 8,739,185</u>	<u>\$ 1,200,249</u>	<u>\$ 1,462,334</u>	<u>\$ 8,477,100</u>	<u>\$ 473,762</u>

Compensated Absences are paid by the applicable fund where the employee is charged.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Maturities of notes, bonds and capital leases payable based on the City's intentions are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2012	\$ 282,483	\$ 53,236	\$ 3,358	\$ 461,098	\$ 212,931	\$ 13,432
2013	276,145	36,236	3,358	570,465	245,853	13,432
2014	275,623	27,327	0	376,512	229,819	0
2015	230,642	18,740	0	282,357	220,642	0
2016	83,674	13,468	0	290,459	212,249	0
2017-2021	317,788	33,163	0	1,475,283	938,282	0
2022-2026	42,973	1,896	0	1,700,837	706,040	0
2027-2031	0	0	0	1,946,264	429,848	0
2032-2036	0	0	0	1,187,570	135,147	0
Unknown	325,816	0	0	0	0	0
Total	1,835,144	184,066	6,716	8,290,845	3,330,811	26,864
Less: Imputed Interest	0	0	(290)	0	0	(1,160)
Total	\$ 1,835,144	\$ 184,066	\$ 6,426	\$ 8,290,845	\$ 3,330,811	\$ 25,704

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

Beginning Balance	\$ 320,000
Proceeds of Line of Credit – Wastewater Fund	427,000
Repayments of Line of Credit – Wastewater Fund	<u>(747,000)</u>
Ending Balance	<u>\$ 0</u>

The City has an available line of credit of \$1,000,000 with Peoples Trust Company. Interest is at 2.25% and matures February 1, 2012. The balance outstanding as of June 30, 2011 was \$-0-. This note was renewed on February 2, 2012 for \$1,000,000.

H. Net Assets/Fund Balances

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

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

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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This statement is also designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion. It makes clear, for example, that special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special Revenue Funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Information about amounts set aside for emergencies is very important to financial statement users. Because of the importance associated with these balances, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The City does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The City does not have any minimum fund balance policies.

Under Statement 54, governments are required to disclose their accounting policies that indicate the order in which restricted, committed, assigned, and unassigned amounts are spent, in circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications. When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the City's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

In addition, governments also are required to disclose the purpose for each major special revenue fund – identifying which specific revenues and other resources are authorized to be reported in each. The purpose and specific revenues are described in the following section.

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
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Restricted Net Assets – Governmental Activities

The restricted net assets of the City as of June 30, 2011 consisted of the following:

Governmental Activities:

Restricted for Revolving Loan Fund by Grant Agreement	\$ 263,002
Restricted for Taylor Park By Donations	<u>1,654</u>
Total Governmental Activities	<u>264,656</u>
Total Restricted Net Assets	<u>\$ 264,656</u>

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

General Fund:

Nonspendable General Fund Prepaid Expenses	\$ 22,084
Nonspendable Advances to Other Funds	<u>178,439</u>
Total General Fund	<u>200,523</u>

Revolving Loan Fund:

Nonspendable Advances to Other Funds	<u>50,476</u>
Total Nonspendable Fund Balances	<u>\$ 250,999</u>

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

Major Funds

General Fund:

Restricted for Vehicle Purchase by Unspent Debt Proceeds - Single Axle Truck	<u>\$ 15,919</u>
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Non-Major Funds

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	113,639
Restricted for Taylor Park Expenses by Donations (Source of Revenue is Donations)	<u>1,654</u>
Total Non-Major Funds	<u>115,293</u>
Total Restricted Fund Balances	<u>\$ 131,212</u>

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

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

Major Funds:

General Fund:

Assigned for Downtown Redevelopment – (JLD Proceeds)	\$ 91,299
Assigned for Downtown Development (Lemnah Proceeds)	213,859
Assigned for Stormwater Permitting (Lemnah Proceeds)	67,156
Assigned for Gym Floor	9,700
Assigned for Tennis Court Rehabilitation	5,000
Assigned for General Parking Improvements	19,017
Assigned for Fire Department Reserves	1,667
Assigned for Public Health and Safety Ordinances	31,200
Assigned for Sidewalks	16,411
Assigned for Downtown Infrastructure Improvements	10,000
Assigned for Public Works Reserves	20,000
Assigned for Record Preservation	31,977
Assigned for Reappraisal	<u>107</u>
Total	<u>\$517,393</u>

The unassigned deficits in the VCDP Fund, Clean and Clear Fund, EPA Grant Fund, Federal Street ByPass Fund and the Streetscape Improvement Fund will be funded as grant receivables are collected.

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

I. Designated Net Assets

The designated net assets of the City as of June 30, 2011 consisted of the following:

Proprietary Fund:	
Designated for Water Capital	\$340,206
Designated for Wastewater Capital	<u>70,844</u>
Total Designated Net Assets	<u>\$411,050</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

V. OTHER INFORMATION

A. PENSION PLANS

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

The City of St. Albans pays all costs accrued each year for the plans. The premise of the plans is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as present value of vested and nonvested plan benefits by municipality are not determinable.

Total payroll for the year was \$3,905,319 while covered payroll was \$1,887,526. Pension expense for the year ended June 30, 2011 was \$109,682.

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

The City also offers its employees a deferred compensation plan through the International City/County Management' Association's Retirement Corporation (ICMA-RC) in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self directed by each employee. For each employee not currently participating in the City's defined benefit plan or VMERS, the City will match the employee's contribution to the plan up to 5%. The City also provides the City Manager a 2.1% contribution of base pay without a required employee contribution amount. Employees remaining in the City's defined benefit plan may open a 457 account without a City match. Total employer contributions to the 457 Plan for the year was \$9,971.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of St. Albans Pension Plan is a single employer defined benefit pension plan administered by the City of St. Albans. The City of St. Albans Pension Plan provides retirement, disability and death benefits to plan members and beneficiaries. The City of St. Albans established and may amend benefit provisions of the plan. The plan does not issue stand alone financial statements and the financial statements of the Plan are not included in the financial statements of the City as they should be to comply with generally accepted accounting principles. The plan covers all employees of the City who work at least 1,000 hours on a twelve (12) month consecutive period and who agree to make minimum contributions. Effective January 1, 2010, the City stopped allowing new participants to enter the plan.

Funding Policy

The Plan requires members to contribute either 2.5% or 7.5% of Annual Base Earnings, excluding overtime and any other additional compensation, depending on the benefit level elected. The total annual required contribution (ARC) to the system for 2011 was \$114,997 which was computed through an actuarial valuation performed as of June 30, 2011.

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

Valuation Method	Five year expected average market value method
Actuarial Cost Method	Frozen Entry Age
Asset Valuation	Market Value
Remaining Amortization	
Period: Initial Unfunded	1.5 Years
Interest rate of Return	7.5%
Salary increases	5%
COLA Adjustment	None

There are 34 active members and 47 retirees and beneficiaries. Additionally, there are 8 former employees with vested rights.

The unaudited balance in the investment account maintained at Prudential Investments is \$3,807,325.

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess/ (Deficiency) of Assets Over AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess/ (Deficiency) as a Percentage of Covered Payroll (a-b/c)
1/1/2007	3,085,351	5,115,831	(2,030,480)	60%	1,560,639	-130%
1/1/2008	3,484,396	4,938,561	(1,454,165)	71%	1,194,105	-122%
1/1/2009	3,661,826	4,962,749	(1,300,923)	74%	1,290,469	-101%
1/1/2010	3,861,404	5,000,719	(1,139,315)	77%	628,509	-181%
1/1/2011	3,933,672	5,168,463	(1,234,791)	76%	571,413	-216%
6/30/2011	3,807,325	5,210,067	(1,402,742)	73%	571,413	-245%

SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Pension Cost	Actual Contribution	Percentage Contributed
12/31/2007	206,367	193,985	94%
12/31/2008	159,632	201,136	126%
12/31/2009	213,524	153,737	72%
12/31/2010	201,866	209,825	104%
6/30/2011	119,325	161,606	136%

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

	2011
Annual Required Contribution (ARC)	\$ 114,997
Interest on NPO	4,328
Annual Pension Cost (APC)	119,325
Employer Contributions Made	(161,606)
Increase/(Decrease) in NPO	(42,281)
NPO - December 31, 2010	102,070
NPO - June 30, 2011	59,789
Percentage of APC Contributed	\$ 136%

C. RISK MANAGEMENT

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

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

CITY OF ST. ALBANS, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

D. PROPERTY TAXES

The City is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuation as of April 1, the approved budgets and the State education property tax liability. Taxes are due and payable on August 27, November 24, February 25 and May 27, and become delinquent on June 1. The City assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month after each installment date. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2011 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.6464	1.8794
General City	.9693	.9693
Library	.0500	.0500
Library Bond	.0126	.0126
Veterans Exemption	<u>.0022</u>	<u>.0022</u>
Total Tax Rate/per \$100 of Assessed Valuation	<u>2.6805</u>	<u>2.9135</u>

E. POLLUTION REMEDIATION OBLIGATIONS

On August 2, 2010, a Corrective Action Plan was prepared for the City of St. Albans, Vermont. Remedial actions are necessary at a property owned (Fonda/Solo Building) by the City. The remedial actions are being undertaken by the City voluntarily. The estimated total liability for the cleanup costs and engineering services related to cleanup as of June 30, 2011 was \$893,000. As of June 30, 2011, the City has received \$600,000 in federal funding which requires a local match of \$80,000. Subsequent to year end, the City was awarded an additional \$200,000 in federal funding with will require a local match of \$40,000. Due to the availability of grant funds for this project, the City has elected not to record any pollution remediation obligations at this time.

F. CONTINGENT LIABILILTIES

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

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

G. SUBSEQUENT EVENTS

Subsequent to year end, the City secured a \$41,000 note from the Peoples Trust Company for tennis court upgrades. Interest is at 2.75%. The note will be repaid over five (5) years with monthly principal and interest payments of \$732.

CITY OF ST. ALBANS, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Property Taxes	\$ 3,765,138	\$ 3,707,017	\$ (58,121)
Payments on Prior Year Taxes	200,000	0	(200,000)
Penalty on Taxes	30,000	31,563	1,563
Interest on Taxes	42,000	64,230	22,230
State Payments/RR Taxes	8,000	8,571	571
Interest on Savings	12,000	6,447	(5,553)
Gross Water Surcharge	87,000	89,449	2,449
Gross Wastewater Surcharge	87,000	96,954	9,954
Barlow Street School Rents	40,800	34,850	(5,950)
PILOT	52,000	76,864	24,864
Insurance Reimbursements/Miscellaneous	37,500	75,810	38,310
City Clerk	99,000	95,753	(3,247)
Planning and Development	76,500	20,542	(55,958)
Assessing	25,000	22,154	(2,846)
Fire Department	63,500	544,812	481,312
Police, Dispatch & Animal Control	1,015,355	993,631	(21,724)
Community Justice Center	109,519	289,896	180,377
Public Works/Parks	129,000	116,788	(12,212)
Recreation Programs	327,013	343,781	16,768
Proceeds of Long-Term Debt	220,000	274,118	54,118
Transfer In	0	16,017	16,017
Total Revenue	6,426,325	6,909,247	482,922
Expenditures:			
Administration	201,585	216,907	(15,322)
City Clerk	59,631	67,026	(7,395)
Finance	47,938	45,639	2,299
Planning and Development	237,236	228,216	9,020
Planning and Development Capital	95,000	0	95,000
County/District Functions	169,453	168,902	551
Audit and Audit Consultants	5,000	11,256	(6,256)
Assessing	161,350	176,496	(15,146)
Debt Service - Principal	150,150	386,022	(235,872)
Debt Service - Interest	47,404	50,542	(3,138)
Professional Services - Legal	70,000	169,765	(99,765)
Information Management	5,835	7,372	(1,537)
Fire Department	666,267	753,711	(87,444)
Fire Department Capital	296,657	719,146	(422,489)
Police, Dispatch and Animal Control	2,957,721	2,907,107	50,614
Police Department Capital	84,167	84,167	0
Community Justice Center	109,519	294,896	(185,377)
Public Works, Highway, Parks	490,246	577,231	(86,985)
Public Works Capital	160,280	111,945	48,335
Recreation Programs	350,936	382,054	(31,118)
Recreation Capital	11,500	0	11,500
Library Bond and Expenses	48,450	70,689	(22,239)
Transfers Out	0	74,741	(74,741)
Total Expenditures	6,426,325	7,503,830	(1,077,505)
Excess/(Deficiency) of Revenue Over Expenditures	<u>\$ 0</u>	(594,583)	<u>\$ (594,583)</u>
Fund Balance - July 1, 2010, As Restated/Reclassified		<u>1,335,105</u>	
Fund Balance - June 30, 2011		<u>\$ 740,522</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 23,864	\$ 0	\$ 23,864
Investments	95,639	0	95,639
Receivables	39,256	267,541	306,797
Due from Other Funds	1,000	59,853	60,853
Advances to Other Funds	50,476	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>98,887</u>	<u>0</u>	<u>98,887</u>
Total Assets	<u>\$ 309,122</u>	<u>\$ 327,394</u>	<u>\$ 636,516</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 30,529	\$ 95,242	\$ 125,771
Accrued Payroll	436	0	436
Due to Other Funds	18,261	28,747	47,008
Advances from Other Funds	66,185	162,730	228,915
Deferred Revenue	<u>120,713</u>	<u>223,282</u>	<u>343,995</u>
Total Liabilities	<u>236,124</u>	<u>510,001</u>	<u>746,125</u>
Fund Balances/(Deficit):			
Nonspendable	50,476	0	50,476
Restricted	115,293	0	115,293
Unassigned	<u>(92,771)</u>	<u>(182,607)</u>	<u>(275,378)</u>
Total Fund Balances/(Deficits)	<u>72,998</u>	<u>(182,607)</u>	<u>(109,609)</u>
Total Liabilities and Fund Balances	<u>\$ 309,122</u>	<u>\$ 327,394</u>	<u>\$ 636,516</u>

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CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Intergovernmental	\$ 272,041	\$ 337,065	\$ 609,106
Charges for Services	0	16,017	16,017
Investment Income	1,487	0	1,487
Loan Repayments	3,662	0	3,662
Donations	4,000	0	4,000
Other	766	0	766
	<u>281,956</u>	<u>353,082</u>	<u>635,038</u>
Total Revenues			
Expenditures:			
General Government	231,858	0	231,858
Public Safety	73,100	0	73,100
Culture and Recreation	12,979	0	12,979
Community Development	2,356	0	2,356
Capital Outlay	35,020	661,270	696,290
	<u>355,313</u>	<u>661,270</u>	<u>1,016,583</u>
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	<u>(73,357)</u>	<u>(308,188)</u>	<u>(381,545)</u>
Other Financing Sources/(Uses):			
Proceeds of Long-term Debt	0	255,000	255,000
Transfers In	7,338	70,690	78,028
Transfers Out	0	(16,017)	(16,017)
	<u>7,338</u>	<u>309,673</u>	<u>317,011</u>
Total Other Financing Sources/(Uses)			
Net Change in Fund Balances	(66,019)	1,485	(64,534)
Fund Balances - July 1, 2010, As Reclassified	<u>139,017</u>	<u>(184,092)</u>	<u>(45,075)</u>
Fund Balances - June 30, 2011	<u>\$ 72,998</u>	<u>\$ (182,607)</u>	<u>\$ (109,609)</u>

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CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	Revolving Loan Fund	OJP and Police Grants Fund	VCDP Grants Fund	Clean & Clear Fund	SOLO Building Fund	EPA Grant Fund	Fonda Remediation Fund	Taylor Park Trust Fund	Teen Center Fund	Total
Cash	\$ 20,055	\$ 3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,806	\$ 0	\$ 23,864
Investments	95,639	0	0	0	0	0	0	0	0	95,639
Receivables	0	15,747	8,878	2,802	0	528	11,301	0	0	39,256
Due from Other Funds	0	0	0	0	0	0	0	1,000	0	1,000
Loans Receivable (Net of Advances to Other Funds	50,476	0	0	0	0	0	0	0	0	50,476
Allowance for Doubtful Accounts)	98,887	0	0	0	0	0	0	0	0	98,887
Total Assets	\$ 265,057	\$ 15,750	\$ 8,878	\$ 2,802	\$ 0	\$ 528	\$ 11,301	\$ 4,806	\$ 0	\$ 309,122

LIABILITIES AND FUND BALANCES

Liabilities:										
Accounts Payable	\$ 0	\$ 1,146	\$ 7,145	\$ 2,467	\$ 11,591	\$ 528	\$ 4,500	\$ 3,152	\$ 0	\$ 30,529
Accrued Payroll	0	436	0	0	0	0	0	0	0	436
Due to Other Funds	2,055	14,138	1,733	335	0	0	0	0	0	18,261
Advances from Other Funds	0	0	0	0	41,620	0	24,565	0	0	66,185
Deferred Revenue	98,887	30	7,500	2,467	0	528	11,301	0	0	120,713
Total Liabilities	100,942	15,750	16,378	5,269	53,211	1,056	40,366	3,152	0	236,124
Fund Balances:										
Nonspendable	50,476	0	0	0	0	0	0	0	0	50,476
Restricted	113,639	0	0	0	0	0	0	1,654	0	115,293
Unassigned	0	0	(7,500)	(2,467)	(53,211)	(528)	(29,065)	0	0	(92,771)
Total Fund Balances	164,115	0	(7,500)	(2,467)	(53,211)	(528)	(29,065)	1,654	0	72,998
Total Liabilities and Fund Balances	\$ 265,057	\$ 15,750	\$ 8,878	\$ 2,802	\$ 0	\$ 528	\$ 11,301	\$ 4,806	\$ 0	\$ 309,122

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CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Revolving Loan Fund	OJP and Police Grants Fund	VCDP Grants Fund	Clean & Clear Fund	SOLO Building Fund	EPA Grant Fund	Fonda Remediation Fund	Taylor Park Trust Fund	Teen Center Fund	Total
Revenues:										
Intergovernmental	\$ 0	\$ 106,563	\$ 33,800	\$ 6,214	\$ 0	\$ 112,523	\$ 12,941	\$ 0	\$ 0	\$ 272,041
Investment Income	1,487	0	0	0	0	0	0	0	0	1,487
Loan Repayments	3,662	0	0	0	0	0	0	0	0	3,662
Donations	0	0	0	0	0	0	0	4,000	0	4,000
Other	176	0	0	590	0	0	0	0	0	766
Total Revenues	5,325	106,563	33,800	6,804	0	112,523	12,941	4,000	0	281,956
Expenditures:										
General Government	0	0	44,908	8,681	19,181	113,082	46,006	0	0	231,858
Public Safety	0	73,100	0	0	0	0	0	0	0	73,100
Culture and Recreation	0	0	0	0	0	0	0	12,367	612	12,979
Community Development	2,356	0	0	0	0	0	0	0	0	2,356
Capital Outlay	0	35,020	0	0	0	0	0	0	0	35,020
Total Expenditures	2,356	108,120	44,908	8,681	19,181	113,082	46,006	12,367	612	355,313
Excess/(Deficiency) of Revenue Over Expenditures	2,969	(1,557)	(11,108)	(1,877)	(19,181)	(559)	(33,065)	(8,367)	(612)	(73,357)
Other Financing Sources:										
Transfer In	0	0	3,338	0	0	0	4,000	0	0	7,338
Total Other Financing Sources	0	0	3,338	0	0	0	4,000	0	0	7,338
Net Change in Fund Balances	2,969	(1,557)	(7,770)	(1,877)	(19,181)	(559)	(29,065)	(8,367)	(612)	(66,019)
Fund Balances/(Deficit) - July 1, 2010	161,146	1,557	270	(590)	(34,030)	31	0	10,021	612	139,017
Fund Balances/(Deficit) - June 30, 2011	\$ 164,115	\$ 0	\$ (7,500)	\$ (2,467)	\$ (53,211)	\$ (528)	\$ (29,065)	\$ 1,654	\$ 0	\$ 72,998

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CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2011

	Federal Street Bypass Fund	Court House South Lot Fund	Municipal Lot North Fund	Central Lot Fund	Streetscape Improvement Fund	Total
<u>ASSETS</u>						
Receivables	\$ 210,228	\$ 0	\$ 0	\$ 0	\$ 57,313	\$ 267,541
Due from Other Funds	55,749	0	1,104	3,000	0	59,853
TOTAL ASSETS	\$ 265,977	\$ 0	\$ 1,104	\$ 3,000	\$ 57,313	\$ 327,394
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable	\$ 75,626	\$ 0	\$ 1,104	\$ 3,000	\$ 15,512	\$ 95,242
Due to Other Funds	0	0	0	0	28,747	28,747
Advances from Other Funds	149,676	0	0	0	13,054	162,730
Deferred Revenue	210,228	0	0	0	13,054	223,282
Total Liabilities	435,530	0	1,104	3,000	70,367	510,001
Fund Balances/(Deficit):						
Unassigned	(169,553)	0	0	0	(13,054)	(182,607)
Total Fund Balances/(Deficit)	(169,553)	0	0	0	(13,054)	(182,607)
TOTAL LIABILITIES AND FUND BALANCES	\$ 265,977	\$ 0	\$ 1,104	\$ 3,000	\$ 57,313	\$ 327,394

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CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Federal Street Bypass Fund	Court House South Lot Fund	Municipal Lot North Fund	Central Lot Fund	Streetscape Improvement Fund	Total
Revenues:						
Intergovernmental Charges for Services	\$ 259,342	\$ 0	\$ 0	\$ 0	\$ 77,723	\$ 337,065
	0	16,017	0	0	0	16,017
Total Revenues	259,342	16,017	0	0	77,723	353,082
Expenditures:						
Capital Outlay	384,219	157,826	11,742	4,718	102,765	661,270
	384,219	157,826	11,742	4,718	102,765	661,270
Total Expenditures	384,219	157,826	11,742	4,718	102,765	661,270
Excess/(Deficiency) of Revenue Over Expenditures	(124,877)	(141,809)	(11,742)	(4,718)	(25,042)	(308,188)
Other Financing Sources/(Uses):						
Proceeds of Long-Term Debt	105,000	150,000	0	0	0	255,000
Transfers In	0	18,358	35,626	4,718	11,988	70,690
Transfers Out	0	(16,017)	0	0	0	(16,017)
Total Other Financing Sources/(Uses)	105,000	152,341	35,626	4,718	11,988	309,673
Net Change in Fund Balances	(19,877)	10,532	23,884	0	(13,054)	1,485
Fund Balance/(Deficit) - July 1, 2010	(149,676)	(10,532)	(23,884)	0	0	(184,092)
Fund Balance/(Deficit) - June 30, 2011	\$ (169,553)	\$ 0	\$ 0	\$ 0	\$ (13,054)	\$ (182,607)

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Sullivan, Powers & Co.
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Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
“Government Auditing Standards”

To the Honorable Mayor and City Council
City of St. Albans, Vermont

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of St. Albans, Vermont as of and for the year ended June 30, 2011, which collectively comprise the City of St. Albans, Vermont’s basic financial statements and have issued our report thereon dated March 7, 2012. The report on the aggregate remaining fund information was adverse because of the omission of the Pension Fund. 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.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the City of St. Albans, Vermont’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Albans, Vermont’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Albans, Vermont’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Deficiencies in Internal Control, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of St. Albans, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified as Items 11-1 and 11-3 in the accompanying Schedule of Deficiencies in Internal Control to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies identified as Items 11-3 and 11-4 in the accompanying Schedule of Deficiencies in Internal Control to be significant deficiencies.

Compliance and Other Matters

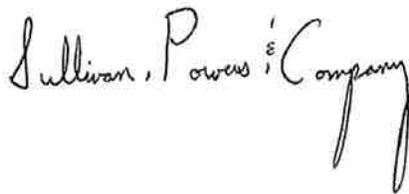
As part of obtaining reasonable assurance about whether the City of St. Albans, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

We also noted certain other matters that we reported to the management of the City of St. Albans, Vermont in a separate letter dated March 7, 2012.

The City of St. Albans, Vermont's responses to the findings identified in our audit are included with the accompanying Schedule of Deficiencies in Internal Control. We did not audit the City of St. Albans, Vermont's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

March 7, 2012
Montpelier, Vermont
Vt Lic. #92-000180



CITY OF ST. ALBANS, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

Deficiencies in Internal Control:

Material Weaknesses:

11-1 Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition:

A number of balance sheet accounts such as receivables, due from/(to) other funds, accounts payable, compensated absences, notes and loans payable, deferred revenue and other liabilities were not reconciled to the actual balances at year end which resulted in various adjustments to revenue and expenses.

Cause:

Unknown.

Effect:

The City's account balances were incorrect.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

Management Response:

The City's three major funds have a total of 180 balance sheet accounts. Many of these accounts have little or no activity month-to-month; therefore, they are reconciled quarterly or annually, depending on the level of activity.

The particular balance sheet accounts mentioned are reconciled monthly; the adjustments required were the result of issues other than the monthly reconciliation process. The accounts payable adjustment was made to allocate the ending balance across all City funds, an adjustment that has not been required in the past. Knowing that Sullivan Powers requires such an allocation, we will make this adjustment monthly going forward.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

11-2 Financial Reporting – Pension Plan

Criteria:

The City should have internal controls in place to ensure that all of the City's funds are included the City's general ledger and financial statements in order to comply with generally accepted accounting principles.

Condition:

The City has a defined benefit pension plan for its employees that has not been included in the City's general ledger or financial statements.

Cause:

Unknown.

Effect:

The City's financial statements are not in full conformance with generally accepted accounting principles. In addition, the financial position and activity of the Pension Fund is not disclosed.

Recommendation:

We recommend that the City implement controls to ensure that all of the City's funds are included in its general ledgers and financial statements.

Management Response:

Historically, the City's defined benefit pension plan has been reported in the footnotes to the financial statements. Based on Sullivan Powers' recommendation, during the current fiscal year the financial staff will develop a policy based on GAAP guidelines defining when a group of financial transactions requires creation of a new fund. Accordingly, a separate general ledger account group will be created for the defined benefit pension.

Significant Deficiencies:

11-3 Segregation of Duties – Police Department

Criteria:

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the custody of cash and the accounting functions.

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Condition:

At the Police Department, the same person that has access to the data base for billings and collections of parking tickets also does the cash ups and deposits. Those duties are considered incompatible functions for accounting control purposes.

Cause:

Unknown.

Effect:

The Department has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that, at a minimum, the access to the data base function be removed from those who conduct cash ups and deposits and be delegated to another individual.

Management Response:

Payments are made at the police department by citizens particularly after hours for transactions specific to police work. Personnel from Sullivan Powers met with relevant police department staff during field work, so they are aware that changes should be made and have already begun resolving this issue. Finance staff is working with the police department to resolve this sooner rather than later.

11-4 Accounting and Procedures Manual

Criteria:

An accounting and procedures manual should be in place for the City. This manual should define duties and responsibilities for current personnel. Written procedures, instructions and assignment of duties will prevent or reduce misunderstandings, errors; inefficient or wasted effort duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management, and to ensure compliance with OMB and grantor requirements.

Condition:

The City does not have a complete accounting and procedures manual in place.

Cause:

The City has not developed a complete manual due to time constraints.

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Effect:

The City does not have a manual to turn to when questions arise regarding accounting and procedures.

Recommendation:

We recommend that the City develop an accounting and procedures manual as soon as possible. Each individual should document their duties and how to perform them. We also recommend that the City make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Management Response:

The City has a Financial Policy Manual adopted by Council on July 11, 2011. The finance staff maintains a working copy of this document where modifications are made as improvements are identified. Staff has already identified the need to record the flow of job tasks with related internal controls, with the intention of having an update for Council approval prior to the end of the current fiscal year.