

CITY OF ST. ALBANS, VERMONT

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

JUNE 30, 2012

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AUDIT REPORT
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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, 2012, 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.

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, each major fund and the aggregate remaining fund information of the City of St. Albans, Vermont as of June 30, 2012 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 III.C. to the financial statements, the City has included the Pension Trust Fund, which was not included in prior years, in the City's financial statements as is required by accounting principles generally accepted in the United States of America.

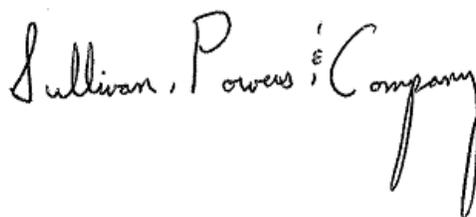
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 13 and the schedule of funding progress for the Pension Trust Fund and the budgetary comparison information for the General Fund, presented in Schedules 1 and 2 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations" and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects in relation to the financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2013, 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.

January 30, 2013
Montpelier, Vermont
VT Lic. #92-000180



Sullivan, Powers & Company

CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012. 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 \$19,403,519 (net assets). Of this amount, \$1,917,624 (unrestricted net assets) may be used to meet the City's ongoing obligations. The balance of net assets is made up of \$17,271,272 invested in capital assets, net of related debt and \$214,623 restricted for specific purposes.
- The City's total net assets increased by \$2,019,472 (11.6%). Of this amount, net assets attributable to governmental activities increased by \$1,435,455 (34.7%), and net assets attributable to business-type activities increased by \$584,017 (4.4%).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$376,734, a decrease of \$254,179 in comparison with the prior year.
- The City's total debt decreased by \$342,948 (3.4%) during the current fiscal year. Outstanding debt supporting the City's governmental activities decreased by \$167,988 (9.1%) including two new debt items totaling \$123,480. Outstanding business-activities debt decreased by \$174,960 (2.1%) with no new debt issued.
- Upgrades to the wastewater treatment facility costing \$5.2 million were completed. This project was moved out of construction in progress and began depreciating halfway through the 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.

It is important for the reader to understand that, although governmental accounting resembles private sector accounting, there are significant differences between the two. For readers versed in private sector accounting, the government-wide financial statements will be the most familiar. The readers should know that the financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. For example, the City 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'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Government-Wide Financial Statements

The government-wide financial statements provide a general overview of the operations of the City presenting all data on a full accrual basis, similar to the way a private sector business would present its financial statements. There are two statements presented at the government-wide level: the Statement of Net 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 statements can be found in Exhibits A and B of this report.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives 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.

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

CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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. Combining financial statements containing more detailed information on these funds may be found in Schedules 3 through 8.

The basic governmental fund financial statements can be found in Exhibits C and D of this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided in Schedule 1 for the purpose of demonstrating compliance with the duly appropriated budget.

Proprietary funds are used to account for a government's business-type activities. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds; 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 in Exhibits F through H.

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

Notes to the Financial Statements, 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 immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, certain **Supplementary Information** is provided, including a budgetary comparison statement for the general fund. The supplementary information can be found immediately following the notes to the financial statements in this report.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>
	2012	2011	2012	2011	2012
Cash and Investments	\$ 1,432,110	\$ 1,347,961	\$ 750,113	\$ 231,223	\$ 2,182,223
Other Assets	251,240	335,890	1,829,862	1,592,430	2,081,102
Capital Assets	<u>6,625,394</u>	<u>5,064,232</u>	<u>19,725,233</u>	<u>20,338,193</u>	<u>26,350,627</u>
Total Assets	<u>8,308,744</u>	<u>6,748,083</u>	<u>22,305,208</u>	<u>22,161,846</u>	<u>30,613,952</u>
Other Liabilities	765,760	407,928	165,119	433,073	930,879
Noncurrent Liabilities	<u>1,975,155</u>	<u>2,207,781</u>	<u>8,304,399</u>	<u>8,477,100</u>	<u>10,279,554</u>
Total Liabilities	<u>2,740,915</u>	<u>2,615,709</u>	<u>8,469,518</u>	<u>8,910,173</u>	<u>11,210,433</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	5,687,628	4,094,397	11,583,644	12,053,482	17,271,272
Restricted	214,623	264,656	-	-	214,623
Unrestricted/(Deficit)	<u>(334,422)</u>	<u>(226,679)</u>	<u>2,252,046</u>	<u>1,198,191</u>	<u>1,917,624</u>
Total Net Assets	<u>\$ 5,567,829</u>	<u>\$ 4,132,374</u>	<u>\$ 13,835,690</u>	<u>\$ 13,251,673</u>	<u>\$ 19,403,519</u>

As noted earlier, net assets serve as a useful indicator of a government's financial position over time. At the close of the most recent fiscal year, the City's assets exceeded liabilities by \$19,403,519. The City's total net assets are split between governmental activities net assets of \$5,567,829 and business-type activities net assets of \$13,835,690.

The largest portion of the City's total net assets (89%) reflects its investment in capital assets (equipment, land, buildings and infrastructure) net of any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City strives, on an ongoing basis, to work reserves into the annual budget to provide for financial contingencies and reserves for a long-term capital plan. As was the case in 2011, the 2012 operations achieved that goal.

The City's total net assets also include \$214,623 (1%) of restricted net assets. These are assets representing resources subject to external restrictions as to how they may be used. The remaining balance of unrestricted net assets (\$1,917,624) may be used to meet the government's ongoing financial obligations. Included in unrestricted net assets are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Summary of the Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>
	2012	2011	2012	2011	2012
Revenues:					
Program Revenues:					
Charges for Services	\$ 1,778,771	\$ 1,348,621	\$ 4,766,285	\$ 4,256,307	\$ 6,545,056
Operating Grants & Contributions	2,377,447	1,050,574	-	-	2,377,447
Capital Grants & Contributions	933,940	920,671	79,587	1,000,000	1,013,527
General Revenues:					
Property Taxes	3,780,436	3,765,017	-	-	3,780,436
Other	<u>237,911</u>	<u>226,454</u>	<u>50,395</u>	<u>44,403</u>	<u>288,306</u>
Total Revenues	<u>9,108,505</u>	<u>7,311,337</u>	<u>4,896,267</u>	<u>5,300,710</u>	<u>14,004,772</u>
Expenses:					
General Government	1,387,110	947,435	-	-	1,387,110
Public Safety	4,682,229	4,190,064	-	-	4,682,229
Public Works	581,886	571,072	-	-	581,886
Culture and Recreation	472,500	485,389	-	-	472,500
Community Development	498,887	2,356	-	-	498,887
Interest on Long-Term Debt	50,438	62,959	-	-	50,438
Water	-	-	1,807,120	1,714,023	1,807,120
Sewer	<u>-</u>	<u>-</u>	<u>2,505,130</u>	<u>2,365,686</u>	<u>2,505,130</u>
Total Expenses	<u>7,673,050</u>	<u>6,259,275</u>	<u>4,312,250</u>	<u>4,079,709</u>	<u>11,985,300</u>
Change in Net Assets	1,435,455	1,052,062	584,017	1,221,001	2,019,472
Beginning Net Assets	<u>4,132,374</u>	<u>3,080,312</u>	<u>13,251,673</u>	<u>12,030,672</u>	<u>17,384,047</u>
Ending Net Assets	<u>\$ 5,567,829</u>	<u>\$ 4,132,374</u>	<u>\$ 13,835,690</u>	<u>\$ 13,251,673</u>	<u>\$ 19,403,519</u>

Governmental Activities

Governmental activities increased the City's net assets by \$1,435,455 for the year ended June 30, 2012. This increase is \$383,393 (38.4%) higher than the previous year. Key elements of the increase are as follows:

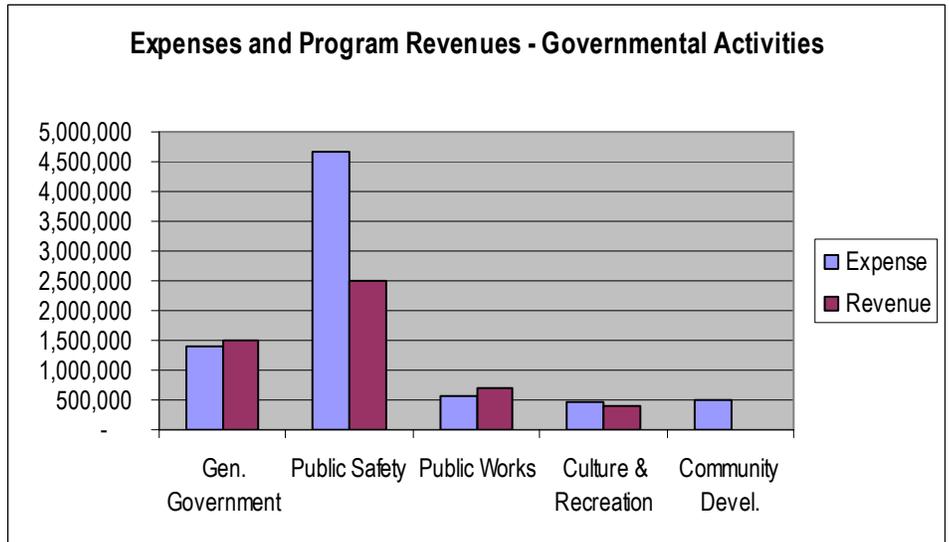
- Total governmental activities' revenues increased by 24.6% (\$1,797,168) from 2011 to 2012. The primary cause of this increase is a \$1.3 million boost to operating grants and contributions combined with a \$430,000 increase in charges for services.
- Although the dollar amount of property taxes remained stable (up \$15,419 or 0.4% from 2011), the City's reliance on property tax revenue decreased by 10% from 51.5% of total revenues in 2011 to 41.5% in 2012. This decrease is a direct cause of a stable tax rate combined with a drastic increase in operating grants and contributions and should not be considered an ongoing trend.
- Total governmental activities' expenses increased by 22.6% (\$1,413,775) from 2011 to 2012. This increase roughly offsets the increase in operating grants and contributions. Since the

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

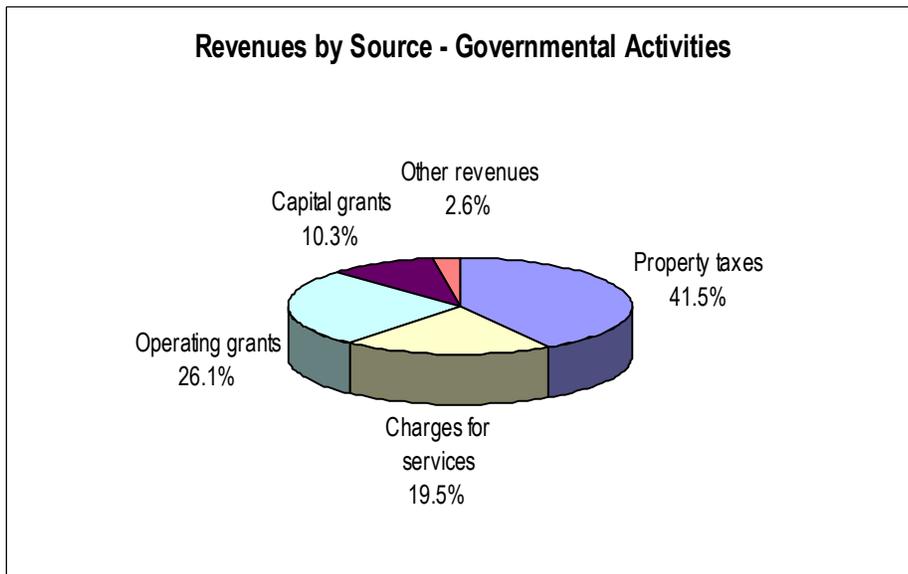
majority of the City's grants are reimbursable grants (the City incurs approved expenses up front and is subsequently reimbursed by the grantor) this offset is logical. This increase includes the large increase in Community Development expenses from 2011 to 2012. The City is the pass-through entity for a VCDP grant to the Samaritan House. The bulk of the work on this project was performed in 2012 and will be completed in 2013.

- Public safety expenses end the year at 61% (\$4,682,229) of total governmental activities' expenses. This is a slight decrease from the previous year when public safety expenses were 67% (\$4,190,064) of total governmental activities' expenses. Public safety remains the largest category of expenses from year to year.

The graph titled Expense and Program Revenues of Governmental Activities, gives the reader an idea of how each major program is funded. The revenues included in this graph are program specific revenues such as user fees, capital grants, and operating grants. General revenues such as property revenues and interest earnings are excluded. The supporting data may be found on Exhibit B, the Statement of Activities.



The graph titled Revenues by Source of Governmental Activities, summarizes revenues by source for the reader. The majority of revenue comes from property taxes, 41.5% or \$3,780,436. The second largest category of revenue is operating grants coming in at 26.1% (\$2,377,447) of total revenue. This is a change from the previous year when charges for services claimed the number two spot with 18% of total revenue. During the current year, charges for services remains stable at 19.5%, however, the increase in operating grants makes the former source third largest.



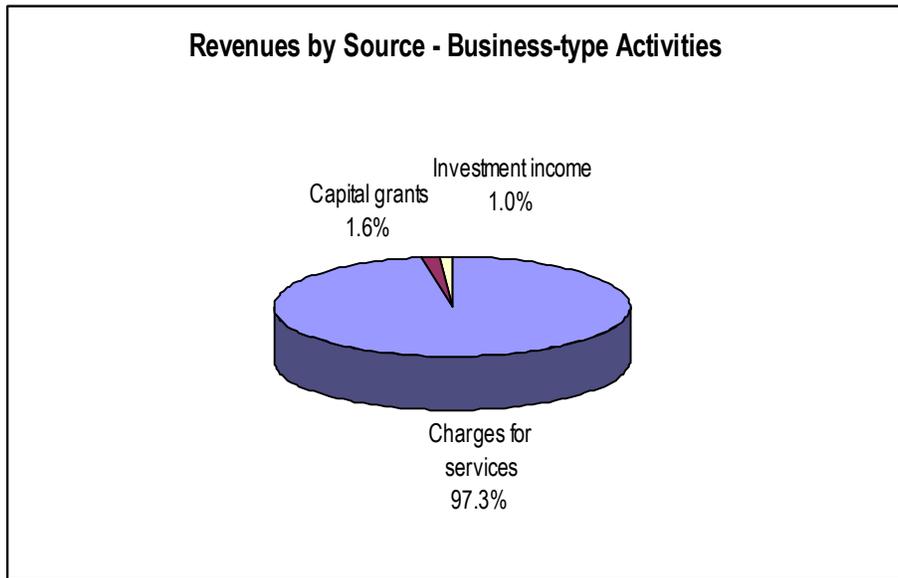
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Business-type Activities

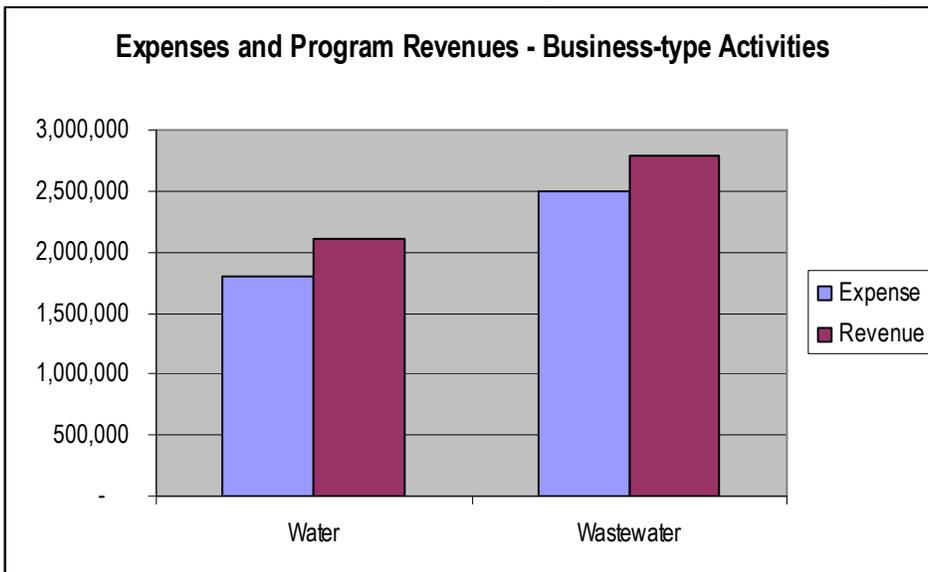
Business-type activities increase the City's net assets by \$584,017 during the current fiscal year. Key elements of this increase are as follows:

- Total revenues of \$4,896,267 were \$404,493 (7.7%) less than the previous year due primarily to one-time loan forgiveness in the wastewater fund of \$1,000,000 recognized during 2011.
- Total expenses of \$4,312,250 increased by \$232,541 (5.7%) when compared to the prior year. This slight increase in total expenses is split proportionately between the two funds.

The City's business-type activities are supported by user fees, also referred to as charges for services (\$4,766,285) with assistance from capital grants (\$79,587) and investment income (\$50,395). The breakdown of revenue sources is illustrated in the graph titled Revenues by Source of Business-type Activities. As the name suggests, business-type activities are accounted for in the same manner that businesses would account for



operations. This being said, it is necessary that revenues meet or exceed expenses in order to continue operating. The graph titled Expenses and Program Revenues of Business-type Activities, demonstrates that during the current fiscal year, revenues exceeded expenses for both the water fund and the wastewater fund. Revenues exceeded expenses in the water fund by \$296,548 or 14% of total revenue



and in the wastewater fund by \$287,469 or 10% of total revenue. In the water fund more than half of this surplus was designated for future water capital projects and in the wastewater fund the entire surplus was designated for future wastewater capital projects and repayment of debt. Additional detail can be found in Footnote IV.I Designated Net Assets.

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$376,734, a decrease of \$254,179 in comparison with the prior year. Of this total amount, \$244,121 is non-spendable (advances to other funds and prepaid expenses) and \$83,568 is restricted to indicate that it is not available for discretionary spending, because it is otherwise restricted by grant agreements, statutes, or bond covenants. Of the remaining amount, \$318,203 has been assigned by the City for various purposes (detailed in Footnote IV. H. Net Assets/Fund Balance) and unassigned fund balance is a deficit of \$269,158. The deficit unassigned fund balance is caused by timing of grant proceeds.

The general fund is the chief operating fund of the City. At the end of the year, total fund balance in the general fund was \$531,848, a decrease of \$208,674 from the previous year. Of this amount, \$193,645 is non-spendable and \$20,000 is restricted (this amount is restricted debt proceeds). Of the remaining amount, \$318,203 has been assigned leaving a deficit in unassigned fund balance of \$-0-.

Certain notable items and trends in the general fund and other governmental funds include:

- Property taxes remained stable over the two years increasing 3.9% (\$143,419) from \$3,707,017 to \$3,850,436. For both 2011 and 2012 property tax revenues represent 56% of total revenues in the general fund.
- Transfers out from the general fund to other governmental funds increased from \$74,741 to \$132,672. This increase is directly correlated with the increase in work done on the City's capital projects including demolition of the Fonda/Solo building, construction of the previous concrete sidewalk on the east side of Taylor Park, and continued work on both the Federal Street Bypass project and the Streetscape project. All of these projects are funded with grants requiring a local match, when these projects are recorded in separate funds the local match is shown in the financial statements as a transfer in or out.
- All of the \$269,158 deficit for the total governmental funds comes from the other governmental funds. The City captures certain grant activity and capital projects within its other governmental funds. The deficit resulting from these funds is due primarily to grant proceeds that were not received within sixty days of the end of the fiscal year causing them to be deferred.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Proprietary Funds

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

Total net assets of the water fund are \$2,881,717, an 11.5% increase from the previous year. More than half of the water fund's net assets are invested in capital assets (net of related debt); 51.9% or \$1,495,442. In the wastewater fund, total net assets are \$10,953,973, a 2.7% increase from the previous year. The vast majority of net assets in the wastewater fund are in the form of capital assets (net of related debt); 92.1% or \$10,088,202. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2012 were \$26,350,627 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The City's combined investment in capital assets increased by \$948,201 from June 30, 2011 to June 30, 2012, or 3.73%. Of this, capital assets for governmental activities increased by \$1,561,161 or 30.83%, net of accumulated depreciation. Capital assets for business-type activities decreased by \$612,960 or 3.01%, net of accumulated depreciation.

Summary of Capital Assets and Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total government</u>
	2012	2011	2012	2011	2012
Capital Assets:					
Land	\$ 940,932	\$ 940,932	\$ 202,012	\$ 202,012	\$ 1,142,944
Construction in Progress	1,039,425	523,762	127,792	5,184,970	1,167,217
Buildings and Improvements	1,658,439	1,647,635	29,128,241	23,960,609	30,786,680
Machinery and Equipment	2,999,978	2,247,429	2,425,954	2,338,400	5,425,932
Infrastructure	<u>1,807,335</u>	<u>1,269,407</u>	<u>-</u>	<u>-</u>	<u>1,807,335</u>
	8,446,109	6,629,165	31,883,999	31,685,991	40,330,108
Less: Accumulated Depreciation	<u>(1,820,715)</u>	<u>(1,564,933)</u>	<u>(12,158,766)</u>	<u>(11,347,798)</u>	<u>(13,979,481)</u>
Total Assets, Net	<u>\$ 6,625,394</u>	<u>\$ 5,064,232</u>	<u>\$ 19,725,233</u>	<u>\$ 20,338,193</u>	<u>\$ 26,350,627</u>
Long-Term Debt	<u>\$ 1,673,582</u>	<u>\$ 1,841,570</u>	<u>\$ 8,141,589</u>	<u>\$ 8,316,549</u>	<u>\$ 9,815,171</u>

Comparing the dollar amount of depreciable assets to accumulated depreciation provides readers with an idea of how old the City's assets are. Total depreciable governmental activities capital assets were \$6,465,752 as of June 30, 2012 with related accumulated depreciation of \$1,820,715. Accumulated depreciation as a percentage of cost indicates that, as a whole, the depreciable assets are at 28.2% of

CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

their useful lives. This is a decrease from the previous year when total depreciable governmental activities capital assets were at 30.0% of their useful lives. This supports the data above showing an increase in governmental activities capital assets from the previous year. The total increase, net of accumulated depreciation is 30.1% or \$1,561,161. However, one third of this increase is due to an increase in the construction in progress balance. As mentioned previously in this report, the City had a number of capital projects in process during the year including the Federal Street Bypass project and the Streetscape project.

When the ratio of accumulated depreciation to value of depreciable assets is applied to the City's business-type activities, accumulated depreciation of \$12,158,767 as a percentage of total depreciable assets of \$31,554,195 indicates that the assets of the City's business-type activities are at 38.5% of their useful lives. This is also a decrease from the previous year when business-type activities' depreciable capital assets were at 43.1% of their useful lives. Capital assets net of accumulated depreciation for the City's business-type activities decreased by 3.0% as a result of annual depreciation expense increasing the balance in accumulated depreciation.

Major capital asset activity for the year ended June 30, 2012 included the following:

- Completion of the Wastewater Treatment Facility Upgrade shifted approximately \$5.2 million from construction in progress to buildings and improvements, under business-type activities. Although this had a net zero effect on the balance of capital assets in the business-type activities funds, this upgrade will now be depreciated over 20 years causing annual depreciation expense to increase by approximately \$250,000.
- Paving projects totaling \$264,145 and sidewalk projects totaling \$220,035 were completed during the year.
- The Police Department received a donation of dispatch equipment from the State of Vermont valued at \$545,932.
- A second sidewalk plow costing \$102,480 was purchased after the 2011/2012 winter; residents should expect to see an increase in passable sidewalks during the upcoming winter.

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

Long-Term Debt

The City began the year with \$10,158,119 in long-term debt outstanding. As of June 30, 2012 this amount had decreased by \$342,948 or 3.4% to end the current year with \$9,815,171 in long-term debt outstanding. Long-term debt outstanding decreased for both governmental activities (9.1% or \$167,988) and business-type activities (2.1% or \$174,960).

Factors contributing to the change include the following:

- The City's governmental activities debt increased by the addition of two new loans; \$82,480 for the purchase of a second sidewalk plow and \$41,000 to improve the Houghton Park tennis courts.

**CITY OF ST. ALBANS, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

- The City refinanced the water system improvements bond moving the balance of \$3,581,515 plus accrued interest from USDA to the Vermont Municipal Bond Bank. The new principal balance after incorporating accrued interest was \$3,594,525 at the end of the year. Although refinancing did not shorten the life of the bond, the interest rate decreased from 4.50% to 3.93% saving the City over \$200,000 in interest and decreasing the annual payments by \$9,047.
- Principal payments totaling \$291,468 were made on governmental activities debt and principal payments totaling \$406,913 were made on business-type activities debt (excluding principal paid when refinancing the USDA Rural Development bond).

Additional information about long-term debt can be found in Footnote IV.G. Long-term Liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors: Outlook and Future Development

The City is deeply engaged in several economic developments, transportation, and public infrastructure initiatives designed to increase the tax base and revitalize the City. The cornerstone of this effort is a Tax Increment Finance District (TIF) that was recently approved by the State of Vermont and local voters.

In brief, tax increment financing allows a municipality to issue bonds for public improvements and service those bonds using 75% of the incremental increase in property values in the district.

The St. Albans TIF plan calls for up to \$42 million in public improvement projects consisting of Brownfield remediation, a parking structure, the Federal Street Multi-modal improvement project, additional Streetscaping, and improvements to Taylor Park and the City's stormwater system.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance 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, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,375,873	\$ 750,113	\$ 2,125,986
Investments	56,237	0	56,237
Receivables (Net of Allowance for Uncollectibles)	822,982	1,126,220	1,949,202
Loans Receivable	100,579	0	100,579
Inventory	0	29,363	29,363
Internal Balances	(674,279)	674,279	0
Prepaid Expenses	1,958	0	1,958
Capital Assets			
Land	940,932	202,012	1,142,944
Construction in Progress	1,039,425	127,792	1,167,217
Other Capital Assets, (Net of Accumulated Depreciation)	<u>4,645,037</u>	<u>19,395,429</u>	<u>24,040,466</u>
Total Assets	<u>8,308,744</u>	<u>22,305,208</u>	<u>30,613,952</u>
 <u>LIABILITIES</u>			
Accounts Payable	433,005	130,760	563,765
Accrued Payroll and Benefits Payable	223,395	7,619	231,014
Deferred Revenue	106,473	4,430	110,903
Accrued Interest Payable	2,887	22,310	25,197
Noncurrent Liabilities:			
Due within One Year	301,242	593,922	895,164
Due in More than One Year	<u>1,673,913</u>	<u>7,710,477</u>	<u>9,384,390</u>
Total Liabilities	<u>2,740,915</u>	<u>8,469,518</u>	<u>11,210,433</u>
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	5,687,628	11,583,644	17,271,272
Restricted	214,623	0	214,623
Unrestricted/(Deficit)	<u>(334,422)</u>	<u>2,252,046</u>	<u>1,917,624</u>
Total Net Assets	<u>\$ 5,567,829</u>	<u>\$ 13,835,690</u>	<u>\$ 19,403,519</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, 2012

	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
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 1,387,110	\$ 237,930	\$ 1,260,018	\$ 0	\$ 110,838	\$ 0	\$ 110,838
Public Safety	4,682,229	1,172,465	814,727	500,000	(2,195,037)	0	(2,195,037)
Public Works	581,886	42,756	232,225	433,940	127,035	0	127,035
Culture and Recreation	472,500	325,041	70,477	0	(76,982)	0	(76,982)
Community Development	498,887	579	0	0	(498,308)	0	(498,308)
Interest on Long-term Debt	50,438	0	0	0	(50,438)	0	(50,438)
Total Governmental Activities	7,673,050	1,778,771	2,377,447	933,940	(2,582,892)	0	(2,582,892)
Business-Type Activities:							
Water	1,807,120	2,085,442	0	0	0	278,322	278,322
Sewer	2,505,130	2,680,843	0	79,587	0	255,300	255,300
Total Business-Type Activities	4,312,250	4,766,285	0	79,587	0	533,622	533,622
Total Primary Government	\$ 11,985,300	\$ 6,545,056	\$ 2,377,447	\$ 1,013,527	(2,582,892)	533,622	(2,049,270)
General Revenues:							
Property Taxes					3,780,436	0	3,780,436
Interest and Penalties on Delinquent Taxes					96,792	0	96,792
Unrestricted Investment Earnings					4,884	50,395	55,279
General State Grants					89,834	0	89,834
Other Revenues					23,140	0	23,140
Gain on Sale of Land					23,261	0	23,261
Total General Revenues					4,018,347	50,395	4,068,742
Change in Net Assets					1,435,455	584,017	2,019,472
Net Assets - July 1, 2011					4,132,374	13,251,673	17,384,047
Net Assets - June 30, 2012					\$ 5,567,829	\$ 13,835,690	\$ 19,403,519

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

CITY OF ST. ALBANS, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 1,310,177	\$ 65,696	\$ 1,375,873
Investments	56,237	0	56,237
Receivables (Net of Allowance for Uncollectibles)	459,020	363,962	822,982
Due from Other Funds	0	33,257	33,257
Advances to Other Funds	191,687	50,476	242,163
Loans Receivable	0	100,579	100,579
Prepaid Expenses	1,958	0	1,958
Total Assets	\$ 2,019,079	\$ 613,970	\$ 2,633,049
<u>LIABILITIES</u>			
Liabilities:			
Accounts Payable	\$ 269,506	\$ 163,499	\$ 433,005
Accrued Payroll and Benefits Payable	222,666	729	223,395
Due to Other Funds	641,659	65,877	707,536
Advances from Other Funds	0	242,163	242,163
Deferred Revenue	353,400	296,816	650,216
Total Liabilities	1,487,231	769,084	2,256,315
Fund Balances/(Deficit):			
Nonspendable	193,645	50,476	244,121
Restricted	20,000	63,568	83,568
Assigned	318,203	0	318,203
Unassigned	0	(269,158)	(269,158)
Total Fund Balances/(Deficit)	531,848	(155,114)	376,734
Total Liabilities and Fund Balances	\$ 2,019,079	\$ 613,970	
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.			6,625,394
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			543,743
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.			(1,978,042)
Net Assets of Governmental Activities			\$ 5,567,829

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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 3,850,436	\$ 0	\$ 3,850,436
Penalties and Interest	96,791	0	96,791
Intergovernmental Revenues	1,053,424	1,878,184	2,931,608
Charges for Services	1,583,855	0	1,583,855
Investment Income	3,560	1,324	4,884
Loan Repayments	0	98,887	98,887
Licenses and Permits	202,758	0	202,758
Other Revenue	93,333	2,000	95,333
Total Revenues	6,884,157	1,980,395	8,864,552
Expenditures:			
Current:			
General Government	778,782	735,979	1,514,761
Public Safety	4,331,045	150,444	4,481,489
Public Works	513,179	0	513,179
Culture and Recreation	451,872	1,811	453,683
Community Development	0	598,887	598,887
Capital Outlay:			
Public Safety	132,604	0	132,604
Highways and Streets	472,968	671,451	1,144,419
Culture and Recreation	80,976	0	80,976
Debt Service:			
Principal	291,468	0	291,468
Interest	54,006	0	54,006
Total Expenditures	7,106,900	2,158,572	9,265,472
Excess/(Deficiency) of Revenues Over Expenditures	(222,743)	(178,177)	(400,920)
Other Financing Sources/(Uses):			
Proceeds of Long-Term Debt	123,480	0	123,480
Proceeds from Sale of Land	23,261	0	23,261
Transfers In	0	132,672	132,672
Transfers Out	(132,672)	0	(132,672)
Total Other Financing Sources/(Uses)	14,069	132,672	146,741
Net Change in Fund Balances	(208,674)	(45,505)	(254,179)
Fund Balances/(Deficit) - July 1, 2011	740,522	(109,609)	630,913
Fund Balances/(Deficit) - June 30, 2012	\$ 531,848	\$ (155,114)	\$ 376,734

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, 2012

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)	\$	(254,179)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,357,999) is allocated over their estimated useful lives and reported as depreciation expense (\$297,751). This is the amount by which capital outlays exceeded depreciation in the current period.		1,060,248
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, loss on disposals and donations) is to increase net assets. The City received dispatch equipment with a value of \$500,000 which is the majority of this amount.		500,914
The issuance of long-term debt (\$123,480) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$291,468) 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.		167,988
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the decrease of deferred revenue over last year.		(107,722)
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>68,206</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>1,435,455</u></u>

The General Fund charges the Water and Sewer Funds for administrative expenses. These charges totaling \$73,000 have been eliminated from the Governmental Activities on the Statement of Activities.

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Current Assets:			
Cash	\$ 416,114	\$ 333,999	\$ 750,113
Receivables (Net of Allowance for Uncollectible Accounts)	465,110	661,110	1,126,220
Inventory	15,395	13,968	29,363
Due from Other Funds	<u>623,263</u>	<u>51,016</u>	<u>674,279</u>
Total Current Assets	<u>1,519,882</u>	<u>1,060,093</u>	<u>2,579,975</u>
Noncurrent Assets:			
Capital Assets			
Land	155,000	47,012	202,012
Construction in Progress	127,792	0	127,792
Buildings, Distribution and Collection System and Improvements	7,318,389	21,809,852	29,128,241
Vehicles, Machinery and Equipment	1,060,865	1,365,089	2,425,954
Less Accumulated Depreciation	<u>(3,437,588)</u>	<u>(8,721,178)</u>	<u>(12,158,766)</u>
Total Noncurrent Assets	<u>5,224,458</u>	<u>14,500,775</u>	<u>19,725,233</u>
Total Assets	<u>\$ 6,744,340</u>	<u>\$ 15,560,868</u>	<u>\$ 22,305,208</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 49,355	\$ 81,405	\$ 130,760
Accrued Payroll	3,390	4,229	7,619
Deferred Revenue	4,430	0	4,430
Accrued Interest Payable	19,907	2,403	22,310
Bonds Payable - Current Portion	89,930	167,525	257,455
Notes Payable - Current Portion	100,578	222,847	323,425
Capital Lease Payable - Current Portion	<u>6,521</u>	<u>6,521</u>	<u>13,042</u>
Total Current Liabilities	<u>274,111</u>	<u>484,930</u>	<u>759,041</u>
Noncurrent Liabilities			
Compensated Absences Payable	56,525	106,285	162,810
Bonds Payable - Noncurrent Portion	3,504,595	3,872,109	7,376,704
Notes Payable - Noncurrent Portion	<u>27,392</u>	<u>143,571</u>	<u>170,963</u>
Total Noncurrent Liabilities	<u>3,588,512</u>	<u>4,121,965</u>	<u>7,710,477</u>
Total Liabilities	<u>3,862,623</u>	<u>4,606,895</u>	<u>8,469,518</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	1,495,442	10,088,202	11,583,644
Unrestricted	<u>1,386,275</u>	<u>865,771</u>	<u>2,252,046</u>
Total Net Assets	<u>2,881,717</u>	<u>10,953,973</u>	<u>13,835,690</u>
Total Liabilities and Net Assets	<u>\$ 6,744,340</u>	<u>\$ 15,560,868</u>	<u>\$ 22,305,208</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, 2012

	Water Fund	Wastewater Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 1,965,237	\$ 2,526,381	\$ 4,491,618
Penalties and Interest	13,276	17,667	30,943
Allocation Fees	80,334	136,546	216,880
Land Lease	15,000	0	15,000
Other Income	11,595	249	11,844
	<u> </u>	<u> </u>	<u> </u>
Total Operating Revenues	<u>2,085,442</u>	<u>2,680,843</u>	<u>4,766,285</u>
Operating Expenses:			
Salaries and Benefits	629,188	813,235	1,442,423
Other Purchased Services	112,474	261,026	373,500
Chemicals	134,689	342,544	477,233
Repairs and Maintenance	110,745	116,659	227,404
Insurances	47,699	50,699	98,398
Utilities	207,216	188,282	395,498
Supplies	13,976	36,732	50,708
Real Estate and State Water Taxes	46,464	4,594	51,058
Other Operating Costs	91,781	95,984	187,765
Depreciation	249,989	580,950	830,939
	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>1,644,221</u>	<u>2,490,705</u>	<u>4,134,926</u>
Operating Income	<u>441,221</u>	<u>190,138</u>	<u>631,359</u>
Nonoperating Revenues (Expenses):			
Investment Income	18,226	32,169	50,395
Interest Expense	(162,899)	(14,425)	(177,324)
	<u> </u>	<u> </u>	<u> </u>
Total Nonoperating Revenues (Expenses)	<u>(144,673)</u>	<u>17,744</u>	<u>(126,929)</u>
Net Income Before Capital Contributions	296,548	207,882	504,430
Capital Contributions	<u>0</u>	<u>79,587</u>	<u>79,587</u>
Change in Net Assets	296,548	287,469	584,017
Net Assets - July 1, 2011	<u>2,585,169</u>	<u>10,666,504</u>	<u>13,251,673</u>
Net Assets - June 30, 2012	<u>\$ 2,881,717</u>	<u>\$ 10,953,973</u>	<u>\$ 13,835,690</u>

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 2,043,621	\$ 2,613,714	\$ 4,657,335
Other Receipts	26,595	249	26,844
Payments to Suppliers	(757,184)	(1,104,253)	(1,861,437)
Payment of Taxes	(46,464)	(4,594)	(51,058)
Payments for Wages and Benefits	<u>(626,846)</u>	<u>(809,218)</u>	<u>(1,436,064)</u>
Net Cash Provided by Operating Activities	<u>639,722</u>	<u>695,898</u>	<u>1,335,620</u>
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	<u>65,855</u>	<u>(190,086)</u>	<u>(124,231)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>65,855</u>	<u>(190,086)</u>	<u>(124,231)</u>
Cash Flows From Capital and Related Financing Activities:			
Capital Contributions	0	79,587	79,587
Acquisition and Construction of Capital Assets	(144,889)	(283,001)	(427,890)
Proceeds of Long-Term Debt	3,594,525	218,943	3,813,468
Principal Paid on:			
General Obligation Bonds	(3,581,515)	(79,588)	(3,661,103)
Notes Payable	(97,850)	(216,813)	(314,663)
Capital Leases	(6,331)	(6,331)	(12,662)
Interest Paid on:			
General Obligation Bonds	(198,270)	0	(198,270)
Notes Payable	<u>(6,675)</u>	<u>(14,686)</u>	<u>(21,361)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(441,005)</u>	<u>(301,889)</u>	<u>(742,894)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>18,226</u>	<u>32,169</u>	<u>50,395</u>
Net Cash Provided by Investing Activities	<u>18,226</u>	<u>32,169</u>	<u>50,395</u>
Net Increase in Cash	282,798	236,092	518,890
Cash - July 1, 2011	<u>133,316</u>	<u>97,907</u>	<u>231,223</u>
Cash - June 30, 2012	<u>\$ 416,114</u>	<u>\$ 333,999</u>	<u>\$ 750,113</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	441,221	190,138	631,359
Depreciation	249,989	580,950	830,939
(Increase)/Decrease in Receivables	(16,958)	(66,880)	(83,838)
(Increase)/Decrease in Inventory	(15,395)	(13,968)	(29,363)
Increase/(Decrease) in Accounts Payable	(23,209)	1,641	(21,568)
Increase/(Decrease) in Accrued Payroll	1,870	2,230	4,100
Increase/(Decrease) in Deferred Revenue	1,732	0	1,732
Increase/(Decrease) in Compensated Absences Payable	<u>472</u>	<u>1,787</u>	<u>2,259</u>
Net Cash Provided by Operating Activities	<u>\$ 639,722</u>	<u>\$ 695,898</u>	<u>\$ 1,335,620</u>

Non-Cash Supplemental Information:

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

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust Fund	Agency Fund <hr/> SAFF Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 0	\$ 11,829	\$ 11,829
Investments	<u>3,877,443</u>	<u>0</u>	<u>3,877,443</u>
Total Assets	<u>3,877,443</u>	<u>11,829</u>	<u>3,889,272</u>
<u>LIABILITIES</u>			
Due to Other Organizations	<u>0</u>	<u>11,829</u>	<u>11,829</u>
Total Liabilities	<u>0</u>	<u>11,829</u>	<u>11,829</u>
<u>NET ASSETS</u>			
Held in Trust For:			
Employees' Pension Benefits	<u>3,877,443</u>	<u>0</u>	<u>3,877,443</u>
Total Net Assets	<u>\$ 3,877,443</u>	<u>\$ 0</u>	<u>\$ 3,877,443</u>

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

CITY OF ST. ALBANS, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer	\$ 200,000
Plan Members	48,379
	248,379
Total Contributions	248,379
Net Investment Earnings	207,214
	455,593
	455,593
<u>DEDUCTIONS:</u>	
Benefits - Pension	344,433
Administrative Expenses	25,002
Refund of Contributions	16,040
	385,475
Total Deductions	385,475
Change in Net Assets	70,118
Net Assets - July 1, 2011	3,807,325
	3,807,325
Net Assets- June 30, 2012	\$ 3,877,443
	3,877,443

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

A. The Financial Reporting Entity

This report includes all of the funds of the City. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the City.

B. Basis of Presentation

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, 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, 2012

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.

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.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Additionally, the City reports the following fund types:

Pension Trust Fund ó This fund accounts for monies contributed by the City and its employees and the income on investments expended for the pensions of retired City employees.

Agency Fund ó This fund accounts for monies maintained for a local group called Saint Albans for the Future.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus. This means that all assets 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, proprietary fund and fiduciary 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, 2012

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, 2012

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".

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (nonspendable fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

5. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the Proprietary Funds consist of chemicals and materials.

Certain payments to vendors reported 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
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

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

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 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.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual City Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the General Fund by \$400,410. These were partially funded by available fund balance, unanticipated grant income and proceeds of long-term debt.

C. Pension Trust Fund

In prior years, the City had not included the Pension Trust Fund in the City's financial statements as is required by accounting principles generally accepted in the United States of America. The City has included this fund in these financial statements. The effect of this inclusion is that beginning net assets/fund balances of the aggregate remaining fund information increased by \$3,807,325, the beginning net assets of the Pension Trust Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments as of June 30, 2012 consisted of the following:

Cash:	
Cash on Hand	\$ 500
Cash with Financial Institutions	<u>2,137,315</u>
Total Cash	<u>2,137,815</u>
Investments:	
Mutual Funds ó Cash Equivalents	56,237
Annuity Contracts	<u>3,877,443</u>
Total Investments	<u>3,933,680</u>
Total Cash and Investments	<u>\$6,071,495</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 mutual funds are in the name of the City and are not exposed to custodial credit risk. The annuity contract is a group annuity contract issued by Prudential Retirement Insurance and Annuity Company (PRIAC). The following table shows the custodial credit risk of the City's deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 328,470	\$ 328,905
Uninsured, Uncollateralized, However \$1,568,035 is Offset By Debt to the Respective Bank	<u>1,865,082</u>	<u>2,001,530</u>
Total Cash Deposits	<u>\$ 2,193,552</u>	<u>\$ 2,330,435</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	\$2,137,815
Mutual Funds ó Cash Equivalents	<u>56,237</u>
	<u>\$2,194,052</u>

Interest Rate Risk

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

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 does not have any policy to limit the exposure to credit risk.

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Concentration of Credit Risk

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

B. Receivables

Receivables at June 30, 2012, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Delinquent Taxes	\$ 353,007	\$ 0	\$ 353,007
Penalties and Interest	44,084	0	44,084
Billed Services	0	726,850	726,850
Unbilled Services	0	261,676	261,676
Grants	399,244	0	399,244
Allocation Fees and Interest	0	94,410	94,410
Other	40,221	57,784	98,005
Reimbursements	7,426	0	7,426
Allowance for Doubtful Accounts	(21,000)	(14,500)	(35,500)
	\$ 822,982	\$ 1,126,220	\$ 1,949,202

C. Loans Receivable

Loans Receivable at June 30, 2012 consists of two (2) loans for community development as follows:

Loan Receivable, Local Business, Interest at 1%, Balloon Payment Plus Interest Due October 27, 2016, Secured by a Mortgage on Real Estate	\$ 65,000
Loan Receivable, Local Business, Interest at 1%, Balloon Payment Plus Interest Due February 3, 2017, Secured By a Mortgage on Real Estate	<u>35,000</u>
Total	100,000
Plus: Accrued Interest on Note	<u>579</u>
Reported Value at June 30, 2012	<u>\$ 100,579</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Amounts</u> <u>Written Off</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>\$102,975</u>	<u>\$100,000</u>	<u>\$98,887</u>	<u>\$4,088</u>	<u>\$100,000</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 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>523,762</u>	<u>515,663</u>	<u>0</u>	<u>1,039,425</u>
Total Capital Assets, Not Being Depreciated	<u>1,464,694</u>	<u>515,663</u>	<u>0</u>	<u>1,980,357</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,604,069	54,370	0	1,658,439
Vehicles, Machinery and Equipment	2,258,454	806,675	65,151	2,999,978
Infrastructure	<u>1,301,948</u>	<u>505,387</u>	<u>0</u>	<u>1,807,335</u>
	<u>5,164,471</u>	<u>1,366,432</u>	<u>65,151</u>	<u>6,465,752</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	717,742	27,785	0	745,527
Vehicles, Machinery and Equipment	716,013	247,514	61,214	902,313
Infrastructure	<u>131,178</u>	<u>41,697</u>	<u>0</u>	<u>172,875</u>
Totals	<u>1,564,933</u>	<u>316,996</u>	<u>61,214</u>	<u>1,820,715</u>
Total Capital Assets, Being Depreciated	<u>3,599,538</u>	<u>1,049,436</u>	<u>3,937</u>	<u>4,645,037</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,064,232</u>	<u>\$ 1,565,099</u>	<u>\$ 3,937</u>	<u>\$ 6,625,394</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	\$ 202,012	\$ 0	\$ 0	\$ 202,012
Construction in Progress	<u>5,184,970</u>	<u>70,626</u>	<u>5,127,804</u>	<u>127,792</u>
Total Capital Assets, Not Being Depreciated	<u>5,386,982</u>	<u>70,626</u>	<u>5,127,804</u>	<u>329,804</u>
Capital Assets, Being Depreciated:				
Buildings, Distribution and Collection				
Systems & Improvements	23,960,609	5,167,632	0	29,128,241
Machinery and Equipment	<u>2,338,400</u>	<u>107,525</u>	<u>19,971</u>	<u>2,425,954</u>
Totals	<u>26,299,009</u>	<u>5,275,157</u>	<u>19,971</u>	<u>31,554,195</u>
Less Accumulated Depreciation for:				
Buildings, Distribution and Collection				
Systems & Improvements	10,283,523	608,657	0	10,892,180
Machinery and Equipment	<u>1,064,275</u>	<u>222,282</u>	<u>19,971</u>	<u>1,266,586</u>
Totals	<u>11,347,798</u>	<u>830,939</u>	<u>19,971</u>	<u>12,158,766</u>
Total Capital Assets, Being Depreciated	<u>14,951,211</u>	<u>4,444,218</u>	<u>0</u>	<u>19,395,429</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,338,193</u>	<u>\$ 4,514,844</u>	<u>\$ 5,127,804</u>	<u>\$ 19,725,233</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Property, plant and equipment with a cost and accumulated depreciation of \$19,245 were added to the Governmental Activities balance in 2012 as these were omitted in prior years. These are reflected in the increases for the year.

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 5,786	Water	\$ 249,989
Public Safety	204,676	Sewer	<u>580,950</u>
Public Works	74,308		
Culture and Recreation	<u>12,981</u>		
 Total Depreciation Expense - Governmental Activities	 \$ <u>297,751</u>	 Total Depreciation Expense - Business- Type Activities	 \$ <u>830,939</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. In 2011, the City demolished the building.

E. Interfund Balances and Activity

The composition of Due From/(To) Other Funds at June 30, 2012 is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 641,659
Other Governmental Funds	33,257	65,877
Water Fund	623,263	0
Wastewater Fund	<u>51,016</u>	<u>0</u>
 Total	 \$ <u>707,536</u>	 \$ <u>707,536</u>

The composition of Advances To/(From) Other Funds at June 30, 2012 is as follows:

General Fund	\$191,687	\$ 0
Revolving Loan Fund	50,476	0
Solo Building Fund	0	54,548
Fonda Remediation Fund	0	25,909
Federal Street Bypass Fund	<u>0</u>	<u>161,706</u>
 Total	 \$ <u>242,163</u>	 \$ <u>242,163</u>

CITY OF ST. ALBANS, VERMONT
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Interfund transfers during the year ended June 30, 2012 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	VCDP Grants Fund	\$ 483	Fund local match on grants
General Fund	Clean & Clear Fund	8,882	Fund local match on grants
General Fund	EPA Grant Fund	59,083	Fund local match on grants
General Fund	TIF Fund	1,350	For training expenses not eligible for TIF District
General Fund	Federal Street Bypass Fund	48,610	Fund local match on grants
General Fund	Central Lot Fund	203	Fund project deficit
General Fund	Streetscape Improvement Fund	<u>14,061</u>	Fund local match on grant
Total		<u>\$ 132,672</u>	

F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$228,000 of delinquent property taxes and penalty and interest on those taxes and \$27,427 of other receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities, \$20,050 of fiscal year 2013 taxes received in advance, \$10,667 of parking fees received in advance, \$38,724 of payments for recreation programs for fiscal year 2013, \$21,901 of grant revenue received in advance, \$850 of rental payments received for fiscal year 2013, and \$5,781 of fiscal year 2013 services paid in advance by the library. The revenue will be recognized as delinquent taxes and other receivables are collected, fiscal year 2013 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 \$353,400.

Deferred Revenue in the Other Governmental Funds consists of \$100,579 of net loans receivable and \$187,737 grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$3,000 of grant revenue received in advance and \$5,500 of contributions from the reconstitution committee received in advance. The revenue will be recognized as the loans are repaid, receivables are collected and expenses are incurred on the projects. Total deferred revenue in the Other Governmental Funds is \$296,816.

Deferred Revenue in the Water Fund of \$4,430 consists of water fees received in advance. This revenue will be earned in 2013 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 had previously recorded a liability in its Government-Wide Governmental Activities financial statements related to underfunding its annual required contribution to the City of St. Albans pension plan as described in Note V.B. This was funded during the current year.

Long-term liabilities outstanding as of June 30, 2012 were as follows:

Bonds, Notes and Capital Leases Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Note Payable ó Peoples Trust Company; Blouin Parking Lot; Interest at 3.50%; Monthly Principal and Interest Payments of \$1,252; Due November 4, 2020	\$ 120,303	\$ 0	\$ 11,873	\$ 108,430

CITY OF ST. ALBANS, VERMONT
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Note Payable ó Peoples Trust Company; 32 Nason Street Property; Interest at 3.75%; Monthly Principal and Interest Payments of \$997; Due December 25, 2016	\$ 58,306	\$ 0	\$ 9,961	\$ 48,345
Note Payable ó Peoples Trust Company; Fonda Building Purchase; Interest at 2.25%; Due July 23, 2012; The City is Making Interest Only Payments and Renewing Each Year Until the Property is Sold. The Note was Renewed until July 23, 2013 with Interest at 1.75%	325,816	0	0	325,816
Note Payable ó Peoples Trust Company; Fire Truck Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,764; Due April 28, 2014	55,588	0	19,882	35,706
Bond Payable ó 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	385,000	0	100,000	285,000
Note Payable ó Peoples Trust Company; Purchase of Little League Fields; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,563; Due July 23, 2014	55,370	0	17,437	37,933
Note Payable ó 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	196,022	0	12,756	183,266

CITY OF ST. ALBANS, VERMONT
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Bond Payable ó 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	\$ 145,000	\$ 0	\$ 40,000	\$105,000
Note Payable ó Peoples Trust Company; Court House Parking Lot; Interest at 3.75%; Monthly Principal and Interest Payments of \$1,501; Due July 14, 2020	138,453	0	13,041	125,412
Note Payable ó 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	44,334	0	8,342	35,992
Note Payable ó 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 Refinanced the Note. The New Terms Require Interest at 1.75%, with the Same Payment Terms and a Due Date of June 30, 2013	90,952	0	22,952	68,000
Note Payable ó Peoples Trust Company; Sidewalk Plow Purchase; Interest at 2.75%; Monthly Principal and Interest Payments of \$1,473; Due March 21, 2017	0	82,480	3,856	78,624
Note Payable ó Peoples Trust Company; Tennis Court Upgrades; Interest at 2.75%; Monthly Principal and Interest Payments of \$732; Due January 12, 2017	0	41,000	3,202	37,798

CITY OF ST. ALBANS, VERMONT
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Bond Payable ó 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	\$ 220,000	\$ 0	\$ 25,000	\$ 195,000
Capital Lease Payable ó 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	<u>6,426</u>	<u>0</u>	<u>3,166</u>	<u>3,260</u>
Total Governmental Activities	<u>\$1,841,570</u>	<u>\$ 123,480</u>	<u>\$ 291,468</u>	<u>\$1,673,582</u>
<u>Business-Type Activities</u>				
Water Fund				
Bond Payable ó USDA Rural Development; Water Improvements; Interest at 4.50%; Annual Principal and Interest Payments of \$240,242; Due February 4, 2036, However, this Bond was Refunded in 2012.	\$ 3,581,515	\$ 0	\$ 3,581,515	\$ 0
Bond Payable ó Vermont Municipal Bond Bank, USDA Refunding Bond; Water Improvements; Interest at 3.93%; Annual Payments of \$231,195 Beginning November 2012, Due November 15, 2036	0	3,594,525	0	3,594,525
Note Payable ó Peoples Trust Company; Fifty Percent (50%) Water Meter Loan; Interest at 2.75%; Annual Principal and Interest Payments of \$94,582; Due and Paid September 1, 2012	181,487	0	89,508	91,979

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Note Payable ó 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	\$ 44,333	\$ 0	\$ 8,342	\$ 35,991
Capital Lease Payable ó 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>12,852</u>	<u>0</u>	<u>6,331</u>	<u>6,521</u>
Total Water Fund	<u>3,820,187</u>	<u>3,594,525</u>	<u>3,685,696</u>	<u>3,729,016</u>
Wastewater Fund:				
Note Payable ó Peoples Trust Company; Fifty Percent (50%) Water Meter Loan; Interest at 2.75%; Annual Principal and Interest Payments of \$94,582; Due and Paid September 1, 2012	\$ 181,487	\$ 0	\$ 89,508	\$ 91,979
Note Payable ó Peoples Trust Company; Wastewater Line of Credit Refinancing; Interest at 2.75%; Monthly Principal and Interest Payments of \$10,581; Due April, 2014	345,735	0	118,963	226,772
Bond Payable ó 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 September, 2012; \$1,000,000 of the Bond was Granted to the City in 2011; Due September 1, 2031	1,419,221	0	0	1,419,221

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2012</u>
Bond Payable ó 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; \$79,588 of the Bond was Granted to the City in 2012; Due July 1, 2031	\$2,319,976	\$ 218,943	\$ 79,588	\$2,459,331
Bond Payable ó 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 September 1, 2012; Due September 1, 2031	161,082	0	0	161,082
Note Payable ó 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 ó 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	44,333	0	8,342	35,991

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Capital Lease Payable ó 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>12,852</u>	\$ <u>0</u>	\$ <u>6,331</u>	\$ <u>6,521</u>
Total Wastewater Fund	<u>4,496,362</u>	<u>218,943</u>	<u>302,732</u>	<u>4,412,573</u>
Total Business-Type Activities	<u>\$ 8,316,549</u>	<u>\$ 3,813,468</u>	<u>\$ 3,988,428</u>	<u>\$ 8,141,589</u>

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

	Beginning Balance	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 750,000	\$ 0	\$ 165,000	\$ 585,000	\$ 155,000
Notes Payable	1,085,144	123,480	123,302	1,085,322	142,982
Capital Leases Payable	6,426	0	3,166	3,260	3,260
Compensated Absences	306,422	0	4,849	301,573	0
Net Pension Obligation	<u>59,789</u>	<u>0</u>	<u>59,789</u>	<u>0</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>2,207,781</u>	<u>123,480</u>	<u>356,106</u>	<u>1,975,155</u>	<u>301,242</u>
Business-type Activities					
Bonds Payable	7,481,794	3,813,468	3,661,103	7,634,159	257,455
Notes Payable	809,051	0	314,663	494,388	323,425
Capital Leases Payable	25,704	0	12,662	13,042	13,042
Compensated Absences	<u>160,551</u>	<u>2,259</u>	<u>0</u>	<u>162,810</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 8,477,100</u>	<u>\$ 3,815,727</u>	<u>\$ 3,988,428</u>	<u>\$ 8,304,399</u>	<u>\$ 593,922</u>

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

CITY OF ST. ALBANS, VERMONT
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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
2013	\$ 297,982	\$ 39,108	\$ 3,358	\$ 580,880	\$ 232,587	\$ 13,431
2014	301,600	29,611	0	386,562	216,676	0
2015	257,668	20,310	0	292,191	207,651	0
2016	109,273	14,343	0	300,039	199,442	0
2017	87,279	11,117	0	288,759	191,809	0
2018-2022	266,428	23,316	0	1,556,528	836,703	0
2023-2027	24,276	604	0	1,777,895	608,686	0
2028-2032	0	0	0	2,009,757	342,453	0
2033-2037	0	0	0	935,936	86,053	0
Unknown	325,816	0	0	0	0	0
Total	1,670,322	138,409	3,358	8,128,547	2,922,060	13,431
Less: Imputed Interest	0	0	(98)	0	0	(389)
Total	\$ 1,670,322	\$ 138,409	\$ 3,260	\$ 8,128,547	\$ 2,922,060	\$ 13,042

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

Beginning Balance	\$ 0
Proceeds of Line of Credit ó Wastewater Fund	284,997
Repayments of Line of Credit ó Wastewater Fund	<u>(284,997)</u>
Ending Balance	<u>\$ 0</u>

The City has an available line of credit of \$1,000,000 with Peoples Trust Company. Interest is at 1.75% and matures February 1, 2013. The balance outstanding as of June 30, 2012 was \$-0-.

H. Net Assets/Fund Balances

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

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.

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

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

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

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

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

The restricted net assets of the City as of June 30, 2012 consisted of the following:

Governmental Activities:

Restricted for Revolving Loan Fund by Grant Agreement	\$ 212,780
Restricted for Taylor Park By Donations	<u>1,843</u>
Total Governmental Activities	<u>214,623</u>
Total Restricted Net Assets	<u>\$ 214,623</u>

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

General Fund:

Nonspendable General Fund Prepaid Expenses	\$ 1,958
Nonspendable Advances to Other Funds	<u>191,687</u>
Total General Fund	<u>193,645</u>

CITY OF ST. ALBANS, VERMONT
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Revolving Loan Fund:

Nonspendable Advances to Other Funds	\$ <u>50,476</u>
Total Nonspendable Fund Balances	\$ <u>244,121</u>

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

Major Funds

General Fund:

Restricted for Tennis Courts by Unspent Debt Proceeds	\$ <u>20,000</u>
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Non-Major Funds

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	61,725
Restricted for Taylor Park Expenses by Donations (Source of Revenue is Donations)	<u>1,843</u>
Total Non-Major Funds	<u>63,568</u>
Total Restricted Fund Balances	\$ <u>83,568</u>

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

Major Funds:

General Fund:

Assigned for Downtown Redevelopment ó (JLD Proceeds)	\$ 51,889
Assigned for Downtown Development (Lemnah Proceeds)	213,859
Assigned for Stormwater Permitting (Lemnah Proceeds)	63,126
Assigned for Tennis Court Rehabilitation	5,000
Assigned for General Parking Improvements	22,017
Assigned for Fire Department Reserves	1,667
Assigned for Public Health and Safety Ordinances	31,200
Assigned for Sidewalks	13,025
Assigned for Public Works Reserves	13,900
Assigned for Record Preservation	50,580
Assigned for Reappraisal	22,251
Assigned for Police Department Expenses	355
Amounts Assigned in Excess of Available Fund Balance	<u>(170,666)</u>
Total	\$ <u>318,203</u>

CITY OF ST. ALBANS, VERMONT
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The unassigned deficits in the EPA Grant Fund and Federal Street ByPass 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.

The unassigned deficit in the TIF Fund will be funded as TIF District taxes are billed in future years.

I. Designated Net Assets

The designated net assets of the City as of June 30, 2012 consisted of the following:

Proprietary Fund:

Designated for Water Capital	\$502,921
Designated for Wastewater Capital	348,704
Designated for Wastewater Debt Service	<u>133,550</u>
 Total Designated Net Assets	 <u>\$985,175</u>

V. OTHER INFORMATION

A. PENSION PLANS

All applicable employees of the City of St. Albans are covered under the State of Vermont Municipal Employees' Retirement Plan. Certain other employees who were participants prior to January 1, 2010 are members of the City of St. Albans defined benefit pension plan, as discussed in Note V.B. Employees in Plan B contribute 4.5% 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 \$4,162,489 while covered payroll was \$2,756,066. Pension expense for the year ended June 30, 2012 was \$161,228.

CITY OF ST. ALBANS, VERMONT
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Additional information regarding the State of Vermont Municipal Employees Retirement System is available upon request from the State of Vermont.

The City also offers its employees a deferred compensation plan through the International City/County Management Association's Retirement Corporation (ICMA-RC) in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self directed by each employee. For each employee not currently participating in the City's defined benefit plan or VMERS, the City will match the employee's contribution to the plan up to 5%. The City also provides the City Manager a 2.1% contribution of base pay without a required employee contribution amount. Employees remaining in the City's defined benefit plan may open a 457 account without a City match. Total employer contributions to the 457 Plan for the year were \$10,315.

B. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

The Plan requires members to contribute either 2.5% or 7.5% of Annual Base Earnings, excluding overtime and any other additional compensation, depending on the benefit level elected. The total annual required contribution (ARC) to the system for 2012 was \$182,998 which was computed through an actuarial valuation performed as of June 30, 2012.

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	.5 Years
Interest rate of Return	7.5%
Salary increases	5%
COLA Adjustment	None

CITY OF ST. ALBANS, VERMONT
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There are 31 active members and 49 retirees and beneficiaries. Additionally, there are 7 former employees with vested rights.

The balance in the investment account maintained at Prudential Investments is \$3,877,443.

SCHEDULE OF EMPLOYER CONTRIBUTION

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
12/31/2008	159,632	201,136	126%
12/31/2009	213,524	153,737	72%
12/31/2010	201,866	209,825	104%
6/30/2011	119,325	161,606	136%
6/30/2012	187,482	248,379	132%

NET PENSION OBLIGATION

	<u>2012</u>
Annual Required Contribution (ARC)	\$ 182,998
Interest on NPO	<u>4,484</u>
Annual Pension Cost (APC)	187,482
Employer/Employee Contributions Made	<u>248,379</u>
Increase/(Decrease) in NPO	(60,897)
Excess Contribution	1,108
NPO - June 30, 2011	<u>59,789</u>
NPO - June 30, 2012	<u><u>\$ 0</u></u>
Percentage of APC Contributed	<u><u>132%</u></u>

CITY OF ST. ALBANS, VERMONT
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 JUNE 30, 2012

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.

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 29, November 30, February 27 and May 29, and become delinquent on June 1. The City assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month after each installment date for the first twelve months and 1.5% per month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2012 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.3330	1.4688
General City	.7881	.7881
Library	.0414	.0414
Library Bond	.0098	.0098
Veterans Exemption	<u>.0017</u>	<u>.0017</u>
Total Tax Rate/per \$100 of Assessed Valuation	<u>2.1740</u>	<u>2.3098</u>

CITY OF ST. ALBANS, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

E. POLLUTION REMEDIATION

On August 2, 2010, a Corrective Action Plan was prepared for the City of St. Albans, Vermont. Remedial actions were necessary at a property owned (Fonda/Solo Building) by the City. The remedial actions were undertaken by the City voluntarily. The clean-up was completed in December of 2011 at a total cost of \$840,744, of which \$750,327 was funded through federal grants.

F. CONTINGENT LIABILITIES

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

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

There is an ongoing lawsuit with the Town of St. Albans, Vermont. The Town is the plaintiff and they have filed a breach of contract suit. The suit asserts that the City is in breach because the City failed to equalize water and sewer rates following the purchase of 1 equivalent unit at a cost of \$5,000. The City counters that the agreement calls for purchase of at least 88 equivalent units at a cost of \$440,000 in return for equalizing rates. It is unclear as to the likelihood or amount of damages that could result from a successful suit by the Town as they have not demanded a specific amount in their filings.

G. TAX INCREMENT FINANCING DISTRICT

The City Council approved the establishment of a Tax Increment Financing (TIF) District on April 30, 2012 which was later approved by the Vermont Economic Progress Council (VEPC) in August, 2012. The TIF District will allow the City to undertake and pay for infrastructure improvements that will allow for increased economic and community development. The City cannot incur any new TIF District debt until the voters authorize an overall debt level. This level of \$43 million was approved on November 6, 2012. All TIF District debt will be secured only by the TIF District revenues. With a TIF District, the value of properties within the District are frozen at the time the District is created. All property taxes generated by the original base continue to go to the municipal General Fund and the State Education Fund. For twenty (20) years, the municipal and education property taxes generated by any new development are shared, with 75% going to finance TIF District infrastructure debt and 25% going to the municipal General Fund and State Education Fund.

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, 2012

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Property Taxes	\$ 3,763,252	\$ 3,850,436	\$ 87,184
Payments on Prior Year Taxes	224,800	0	(224,800)
Penalty on Taxes	26,976	34,951	7,975
Interest on Taxes	35,968	61,840	25,872
State Payments/RR Taxes	8,500	8,385	(115)
Interest on Savings	7,500	3,561	(3,939)
Public Works Garage Lease	30,000	30,000	0
City Hall Lease	43,000	43,000	0
Barlow Street School Rents	40,800	33,299	(7,501)
PILOT	55,000	81,449	26,449
Insurance Reimbursements/Miscellaneous	25,000	59,553	34,553
City Clerk	89,000	107,795	18,795
Planning and Development	56,500	127,721	71,221
Assessing	27,500	23,510	(3,990)
Fire Department	63,500	57,518	(5,982)
Police, Dispatch & Animal Control	1,486,696	1,339,592	(147,104)
Community Justice Center	373,110	427,577	54,467
Public Works/Parks	167,300	343,415	176,115
Recreation Programs	350,123	409,398	59,275
Sale of Property	0	23,261	23,261
Total Revenue	6,874,525	7,066,261	191,736
Expenditures:			
Administration	218,977	230,179	(11,202)
City Clerk	58,726	49,885	8,841
Finance	50,064	31,606	18,458
Planning and Development	221,890	209,038	12,852
Planning and Development Capital	53,250	0	53,250
County/District Functions	167,882	166,933	949
Audit and Audit Consultants	15,000	25,431	(10,431)
Assessing	83,920	75,661	8,259
Debt Service - Principal	223,175	206,586	16,589
Debt Service - Interest	48,506	42,454	6,052
Professional Services - Legal	70,000	71,153	(1,153)
Information Management	6,500	3,656	2,844
Fire Department	531,650	791,754	(260,104)
Fire Department Capital	70,627	10,937	59,690
Police, Dispatch and Animal Control	3,310,470	3,109,144	201,326
Police Department Capital	107,916	107,916	0
Community Justice Center	353,266	409,132	(55,866)
Public Works, Highway, Parks	618,214	609,666	8,548
Public Works Capital	240,345	419,601	(179,256)
Recreation Programs	358,082	455,536	(97,454)
Recreation Capital	8,625	31,470	(22,845)
Library Bond and Expenses	46,440	84,525	(38,085)
Transfers Out	11,000	132,672	(121,672)
Total Expenditures	6,874,525	7,274,935	(400,410)
Excess/(Deficiency) of Revenue Over Expenditures	<u>\$ 0</u>	<u>(208,674)</u>	<u>\$ (208,674)</u>
Fund Balance - July 1, 2011		<u>740,522</u>	
Fund Balance - June 30, 2012		<u>\$ 531,848</u>	

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CITY OF ST. ALBANS, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 PENSION TRUST FUND
 JUNE 30, 2012

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)
1/1/2008	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%
6/30/2012	3,877,443	5,441,160	(1,563,717)	71%	714,519	-219%

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CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 65,696	\$ 0	\$ 65,696
Receivables	123,354	240,608	363,962
Due from Other Funds	5,500	27,757	33,257
Advances to Other Funds	50,476	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	<u>100,579</u>	<u>0</u>	<u>100,579</u>
Total Assets	<u>\$ 345,605</u>	<u>\$ 268,365</u>	<u>\$ 613,970</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 86,941	\$ 76,558	\$ 163,499
Accrued Payroll	729	0	729
Due to Other Funds	58,655	7,222	65,877
Advances from Other Funds	80,457	161,706	242,163
Deferred Revenue	<u>112,231</u>	<u>184,585</u>	<u>296,816</u>
Total Liabilities	<u>339,013</u>	<u>430,071</u>	<u>769,084</u>
Fund Balances/(Deficit):			
Nonspendable	50,476	0	50,476
Restricted	63,568	0	63,568
Unassigned	<u>(107,452)</u>	<u>(161,706)</u>	<u>(269,158)</u>
Total Fund Balances/(Deficits)	<u>6,592</u>	<u>(161,706)</u>	<u>(155,114)</u>
Total Liabilities and Fund Balances	<u>\$ 345,605</u>	<u>\$ 268,365</u>	<u>\$ 613,970</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, 2012

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 1,404,494	\$ 473,690	\$ 1,878,184
Investment Income	1,324	0	1,324
Loan Repayments	98,887	0	98,887
Donations	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Revenues	<u>1,506,705</u>	<u>473,690</u>	<u>1,980,395</u>
Expenditures:			
General Government	735,979	0	735,979
Public Safety	150,444	0	150,444
Culture and Recreation	1,811	0	1,811
Community Development	598,887	0	598,887
Capital Outlay - Highways and Streets	<u>155,788</u>	<u>515,663</u>	<u>671,451</u>
Total Expenditures	<u>1,642,909</u>	<u>515,663</u>	<u>2,158,572</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(136,204)</u>	<u>(41,973)</u>	<u>(178,177)</u>
Other Financing Sources:			
Transfers In	<u>69,798</u>	<u>62,874</u>	<u>132,672</u>
Total Other Financing Sources	<u>69,798</u>	<u>62,874</u>	<u>132,672</u>
Net Change in Fund Balances	(66,406)	20,901	(45,505)
Fund Balances/(Deficit) - July 1, 2011	<u>72,998</u>	<u>(182,607)</u>	<u>(109,609)</u>
Fund Balances/(Deficit) - June 30, 2012	<u>\$ 6,592</u>	<u>\$ (161,706)</u>	<u>\$ (155,114)</u>

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CITY OF ST. ALBANS, VERMONT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2012

	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	Reconstitution Donations Fund	TIF Fund	Total
ASSETS											
Cash	\$ 63,850	\$ 3	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,843	\$ 0	\$ 0	\$ 65,696
Receivables	0	31,939	65,445	0	0	25,970	0	0	0	0	123,354
Due from Other Funds	0	0	0	0	0	0	0	0	5,500	0	5,500
Advances to Other Funds	50,476	0	0	0	0	0	0	0	0	0	50,476
Loans Receivable (Net of Allowance for Doubtful Accounts)	100,579	0	0	0	0	0	0	0	0	0	100,579
Total Assets	<u>\$ 214,905</u>	<u>\$ 31,942</u>	<u>\$ 65,445</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,970</u>	<u>\$ 0</u>	<u>\$ 1,843</u>	<u>\$ 5,500</u>	<u>\$ 0</u>	<u>\$ 345,605</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts Payable	\$ 0	\$ 18,344	\$ 65,445	\$ 0	\$ 0	\$ 3,152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,941
Accrued Payroll	0	729	0	0	0	0	0	0	0	0	729
Due to Other Funds	2,125	12,869	0	0	0	19,817	0	0	0	23,844	58,655
Advances from Other Funds	0	0	0	0	54,548	0	25,909	0	0	0	80,457
Deferred Revenue	100,579	0	0	0	0	6,152	0	0	5,500	0	112,231
Total Liabilities	<u>102,704</u>	<u>31,942</u>	<u>65,445</u>	<u>0</u>	<u>54,548</u>	<u>29,121</u>	<u>25,909</u>	<u>0</u>	<u>5,500</u>	<u>23,844</u>	<u>339,013</u>
Fund Balances/(Deficit):											
Nonspendable	50,476	0	0	0	0	0	0	0	0	0	50,476
Restricted	61,725	0	0	0	0	0	0	1,843	0	0	63,568
Unassigned	0	0	0	0	(54,548)	(3,151)	(25,909)	0	0	(23,844)	(107,452)
Total Fund Balances/(Deficit)	<u>112,201</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(54,548)</u>	<u>(3,151)</u>	<u>(25,909)</u>	<u>1,843</u>	<u>0</u>	<u>(23,844)</u>	<u>6,592</u>
Total Liabilities and Fund Balances	<u>\$ 214,905</u>	<u>\$ 31,942</u>	<u>\$ 65,445</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,970</u>	<u>\$ 0</u>	<u>\$ 1,843</u>	<u>\$ 5,500</u>	<u>\$ 0</u>	<u>\$ 345,605</u>

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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, 2012

	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	Reconstitution Donations Fund	TIF Fund	Total
Revenues:											
Intergovernmental	\$ 0	\$ 150,444	\$ 459,942	\$ 149,373	\$ 0	\$ 632,676	\$ 12,059	\$ 0	\$ 0	\$ 0	\$ 1,404,494
Investment Income	1,324	0	0	0	0	0	0	0	0	0	1,324
Loan Repayments	98,887	0	0	0	0	0	0	0	0	0	98,887
Donations	0	0	0	0	0	0	0	2,000	0	0	2,000
Total Revenues	100,211	150,444	459,942	149,373	0	632,676	12,059	2,000	0	0	1,506,705
Expenditures:											
General Government	0	0	6,163	0	1,337	694,382	8,903	0	0	25,194	735,979
Public Safety	0	150,444	0	0	0	0	0	0	0	0	150,444
Culture and Recreation	0	0	0	0	0	0	0	1,811	0	0	1,811
Community Development	152,125	0	446,762	0	0	0	0	0	0	0	598,887
Capital Outlay	0	0	0	155,788	0	0	0	0	0	0	155,788
Total Expenditures	152,125	150,444	452,925	155,788	1,337	694,382	8,903	1,811	0	25,194	1,642,909
Excess/(Deficiency) of Revenue Over Expenditures	(51,914)	0	7,017	(6,415)	(1,337)	(61,706)	3,156	189	0	(25,194)	(136,204)
Other Financing Sources:											
Transfer In	0	0	483	8,882	0	59,083	0	0	0	1,350	69,798
Total Other Financing Sources	0	0	483	8,882	0	59,083	0	0	0	1,350	69,798
Net Change in Fund Balances	(51,914)	0	7,500	2,467	(1,337)	(2,623)	3,156	189	0	(23,844)	(66,406)
Fund Balances/(Deficit) - July 1, 2011	164,115	0	(7,500)	(2,467)	(53,211)	(528)	(29,065)	1,654	0	0	72,998
Fund Balances/(Deficit) - June 30, 2012	\$ 112,201	\$ 0	\$ 0	\$ 0	\$ (54,548)	\$ (3,151)	\$ (25,909)	\$ 1,843	\$ 0	\$ (23,844)	\$ 6,592

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CITY OF ST. ALBANS, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

	Federal Street Bypass Fund	Central Lot Fund	Streetscape Improvement Fund	Total
<u>ASSETS</u>				
Receivables	\$ 196,285	\$ 0	\$ 44,323	\$ 240,608
Due from Other Funds	<u>27,757</u>	<u>0</u>	<u>0</u>	<u>27,757</u>
TOTAL ASSETS	<u>\$ 224,042</u>	<u>\$ 0</u>	<u>\$ 44,323</u>	<u>\$ 268,365</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 39,457	\$ 0	\$ 37,101	\$ 76,558
Due to Other Funds	0	0	7,222	7,222
Advances from Other Funds	161,706	0	0	161,706
Deferred Revenue	<u>184,585</u>	<u>0</u>	<u>0</u>	<u>184,585</u>
Total Liabilities	<u>385,748</u>	<u>0</u>	<u>44,323</u>	<u>430,071</u>
Fund Balances/(Deficit):				
Unassigned	<u>(161,706)</u>	<u>0</u>	<u>0</u>	<u>(161,706)</u>
Total Fund Balances/(Deficit)	<u>(161,706)</u>	<u>0</u>	<u>0</u>	<u>(161,706)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 224,042</u>	<u>\$ 0</u>	<u>\$ 44,323</u>	<u>\$ 268,365</u>

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CITY OF ST. ALBANS, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Federal Street Bypass Fund	Central Lot Fund	Streetscape Improvement Fund	Total
Revenues:				
Intergovernmental	\$ 297,765	\$ 0	\$ 175,925	\$ 473,690
Total Revenues	<u>297,765</u>	<u>0</u>	<u>175,925</u>	<u>473,690</u>
Expenditures:				
Capital Outlay	338,528	203	176,932	515,663
Total Expenditures	<u>338,528</u>	<u>203</u>	<u>176,932</u>	<u>515,663</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>(40,763)</u>	<u>(203)</u>	<u>(1,007)</u>	<u>(41,973)</u>
Other Financing Sources/(Uses):				
Transfers In	48,610	203	14,061	62,874
Total Other Financing Sources/(Uses)	<u>48,610</u>	<u>203</u>	<u>14,061</u>	<u>62,874</u>
Net Change in Fund Balances	7,847	0	13,054	20,901
Fund Balance/(Deficit) - July 1, 2011	<u>(169,553)</u>	<u>0</u>	<u>(13,054)</u>	<u>(182,607)</u>
Fund Balance/(Deficit) - June 30, 2012	<u>\$ (161,706)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (161,706)</u>

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CITY OF ST. ALBANS, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Environmental Protection Agency</u>				
Direct Program				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96113301-0	400,000	\$ 298,592
Passed through State of Vermont Department of Environmental Conservation				
Brownfields Assessment and Cleanup Cooperative Agreements - ARRA	66.818	2B96120201-0, 07100- 2BEPA-2010-02	303,000	288,961
Capitalization Grants for Clean Water State Revolving Funds	66.458	RF11-136	2,388,918	24,148
Passed through the Northwest Regional Planning Commission				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-9613401-2	200,000	<u>48,275</u>
Total U.S. Environmental Protection Agency				<u>659,976</u>
<u>U.S. Department of Agriculture</u>				
Passed through State of Vermont Department of Forests, Parks and Recreation				
Cooperative Forestry Assistance	10.664	08-DG-11420004-210, 06130-TCA- ST.ALBANS-11	24,670	<u>5,762</u>
Total for U.S. Department of Agriculture				<u>5,762</u>
<u>National Highway Traffic Safety Administration</u>				
Passed through State of Vermont Department of Public Safety				
Minimum Penalties for Repeat Offenders of Driving While Intoxicated	20.608	02140-1112-2132	6,000	2,805
Minimum Penalties for Repeat Offenders of Driving While Intoxicated	20.608	02140-1111-9233	6,000	2,273
Safety Belt Performance Grants	20.609	02140-0912-3543	2,500	<u>2,500</u>
Total for National Highway Traffic Safety Administration				<u>7,578</u>
<u>U.S. Department of Energy</u>				
Passed through State of Vermont Department of Public Service				
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	DE-EE0000859, 02240-AEECBG-CED 009	25,000	<u>7,703</u>
Total for U.S. Department of Energy				<u>7,703</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Homeland Security Grant Program	97.067	2008-GE-T8-0045, 02140-78252-032	19,000	1,063
Homeland Security Grant Program	97.067	2007-GE-T7-0049, 77152-605	39,222	<u>39,222</u>
Total of U.S. Department of Homeland Security				<u>40,285</u>

See Accompanying Independent Auditor's Report.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Vermont Agency of Commerce & Community Development				
Community Development Block Grants	14.228	07110-PG-I-09-00001	600,000	\$ 446,443
Total for U.S. Department Housing and Urban Development				<u>446,443</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2010-WE-AX-0060	400,000	174,830
Bulletproof Vest Partnership Program	16.607	2009BUBX08045029	7,045	2,314
Public Safety Partnership and Community Policing Grants - ARRA	16.710	2009-RK-WX-0861	228,684	61,139
Passed through State of Vermont Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government - ARRA	16.804	2009-DJ-BX-0225	90,000	10,851
Passed through State of Vermont Department of Corrections				
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BX-0028	37,500	25,014
Passed through Vermont Department of Children & Families Recreation				
Developing, Testing and Demonstrating Promising New Programs	16.541	EAR10-2010-FX-0604	5,700	<u>5,700</u>
Total for U.S. Department of Justice				<u>279,848</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction	20.205	EH0008	138,000	134,997
Highway Planning and Construction	20.205	08126-CA0277	355,680	60,094
Highway Planning and Construction	20.205	EA 8000017-100; CA0194	700,000	248,392
National Infrastructure Investments	20.933	P-36	204,000	<u>115,831</u>
Total U.S. Department of Transportation				<u>559,314</u>
Total				<u>\$ 2,006,909</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of St. Albans, Vermont and was prepared using the significant accounting policies outlined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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VT Lic. #92-000180

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 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, 2012, which collectively comprise the City of St. Albans, Vermont's basic financial statements and have issued our report thereon dated January 30, 2013. 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

Management of the City of St. Albans, Vermont is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

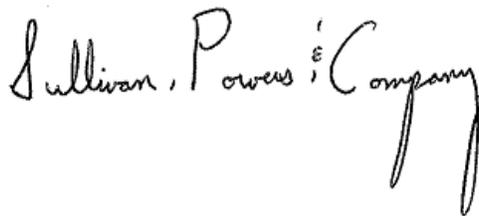
Compliance and Other Matters

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 noted certain other matters that we reported to the management of the City of St. Albans, Vermont in a separate letter dated January 30, 2013.

This report is intended solely for the information and use of management, the City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 30, 2013
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 address information.

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Report on Compliance with Requirements
That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of St. Albans, Vermont with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of St. Albans, Vermont's major federal programs for the year ended June 30, 2012. The City of St. Albans, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the City of St. Albans, Vermont's management. Our responsibility is to express an opinion on the City of St. Albans, Vermont's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Albans, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of St. Albans, Vermont's compliance with those requirements.

In our opinion the City of St. Albans, Vermont complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

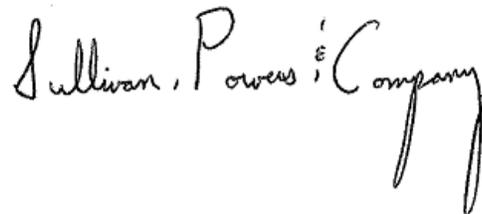
The management of the City of St. Albans, Vermont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of St. Albans, Vermont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Albans, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined previously.

This report is intended solely for the information and use of management, the City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 30, 2013
Montpelier, Vermont
Vt Lic. #92-000180

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

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

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.

Corrective Action Taken:

Corrective action was taken.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

11-2 Financial Reporting ó Pension Plan

Criteria:

The City should have internal controls in place to ensure that all of the City's funds are included in 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.

Corrective Action Taken:

Corrective action was taken.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Significant Deficiencies:

11-3 Segregation of Duties ó 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.

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.

Corrective Action Taken:

Corrective action was taken.

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.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

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.

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.

Corrective Action Taken:

Corrective action was taken.

FEDERAL AWARDS:

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Significant Deficiencies:

11-5 Equipment and Real Property Management

Criteria:

Any entity that receives Federal funds to purchase property, plant and equipment is required to conduct a physical inventory at least once every two years. Internal controls should be in place to ensure that a physical inventory of property, plant and equipment is performed at least once every two years. Also, internal controls should be in place to ensure that the City is maintaining a list of equipment that was purchased with Federal awards.

Condition:

Internal controls over maintaining a list of property, plant and equipment purchased with Federal awards and the performance of a physical inventory of property, plant and equipment are inadequately designed. There are no procedures in place to ensure that the City conducts a physical inventory of its property, plant and equipment. Furthermore, as part of this process, the City should be maintaining a list of equipment that was purchased with Federal awards.

Cause:

Unknown.

Effect:

The City may not be in compliance with Federal regulations.

Recommendation:

We recommend that the City establish a list of property, plant and equipment purchased with Federal awards and control procedures to ensure that they conduct a physical inventory of its property, plant and equipment at least once every two (2) years.

Corrective Action Taken:

Corrective action was taken.

CITY OF ST. ALBANS, VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:
Unqualified.

Internal Control Over Financial Reporting:
Material Weaknesses identified:
No.
Significant Deficiencies identified not considered to be material weaknesses:
No.

Noncompliance material to financial statements:
None noted.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
No.
Significant Deficiencies identified not considered to be material weaknesses:
No.

Type of auditor's report issued on compliance for major programs:
Unqualified.

There are no audit findings that are required to be reported in accordance with OMB Circular A-133, Section 510(a).

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Agency</u>
66.818	Brownfields Assessment and Clean-Up Cooperative Agreements	U.S. Environmental Protection Agency
66.818	Brownfields Assessment and Clean-up Cooperative Agreements - ARRA	U.S. Environmental Protection Agency
14.228	Community Development Block Grants	U.S. Department of Housing and Urban Development

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The auditee did not qualify as a low risk auditee.