

CITY OF MONTPELIER, VERMONT

AUDIT REPORT

JUNE 30, 2007

CITY OF MONTPELIER
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2007

	<u>Page #</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Statement of Net Assets	Exhibit A 12
Statement of Activities	Exhibit B 13
Governmental Funds:	
Balance Sheet	Exhibit C 14
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 16
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	Exhibit F 17
Proprietary Funds:	
Statement of Net Assets	Exhibit G 18
Statement of Revenues, Expenses and Changes in Fund Net Assets	Exhibit H 19
Statement of Cash Flows	Exhibit I 20

CITY OF MONTPELIER, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2007

	<u>Page #</u>
Notes to the Financial Statements	21-50
Financial Statements of Individual Funds:	
Combining Balance Sheet – Other Governmental Funds	Schedule 1 51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	Schedule 2 52

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Independent Auditor's Report

To the City Council
City of Montpelier
Montpelier, Vermont 05602

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 Montpelier, Vermont as of and for the year ended June 30, 2007, which collectively comprise the City of Montpelier, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Montpelier, 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. 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.

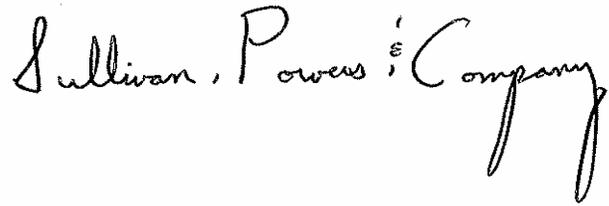
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont, at June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Members of The American Institute and Vermont Society of Certified Public Accountants

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements for the other governmental funds 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 on the basic financial statements and, accordingly, we express no opinion on them.

January 16, 2008
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 'S' at the beginning and a long, sweeping tail at the end.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Our discussion and analysis of the City of Montpelier, Vermont's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements which begin on Exhibit A.

Financial Highlights

Government-Wide

- The City's net assets increased by \$2,498,789 as a result of this year's operations. Net assets of the business-type activities increased by \$288,455 or 1.5 percent, net assets of the governmental activities increased by \$2,210,334, or 20.2 percent.
- The cost of all of the City's programs was \$14,171,733 in fiscal year 2007 compared to \$13,833,151 in fiscal year 2006, which is approximately a 2.5% increase.

Fund Statements

- During fiscal year 2007, the General Fund reported a net increase in the fund balance of \$454,218. The current year increase in fund balance is due to the refinancing of a \$325,000 loan from the Water Fund with bond proceeds and revenues that exceeded the budgeted amount.
- The unreserved fund balance for the General Fund was \$807,424 and the reserved fund balances of the General Fund total \$495,096 as of June 30, 2007. The reserved balances are reserved for special projects or are not available for current expenditures. \$82,356 of the \$807,424 unreserved fund balance is designated for future capital purchases and special programs which leaves \$725,068 unrestricted and undesignated.
- The Community Development Fund ended the year with a reserved fund balance of \$471,817, which was \$27,097 lower than the prior year fund balance of \$498,914. This fund balance is reserved by various sources for Community Development.
- The Capital Projects Fund ended the year with a fund balance of \$834,114, which was \$580,332 higher than the prior year fund balance of \$253,782. The reserved fund balance of \$675,877 is reserved by various sources for Capital Projects.
- Other nonmajor governmental funds ended the year with a fund balance of \$997,355, which was \$130,914 higher than the prior year fund balance of \$866,441. \$812,137 of this fund balance is reserved by various sources for various purposes.
- The Water Fund ended the year with net assets of \$9,446,971, which was \$78,202 higher than the prior year balance of \$9,368,769. Of the total net asset balance, \$9,703,843 is invested in property and equipment. This leaves an unrestricted deficit of \$256,872 to be recovered in future periods.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

- The Sewer Fund ended the year with net assets of \$10,281,412, which was \$106,967 higher than the prior year balance of \$10,174,445. Of the total net asset balance, \$10,369,062 is invested in property and equipment. This leaves an unrestricted deficit of \$87,650 to be recovered in future periods.
- The Parking Fund ended the year with net assets of \$327,971, which was \$103,286 higher than the prior year balance of \$224,685. Of the total net asset balance, \$325,400 is invested in property and equipment and \$41,220 is restricted for various projects. This leaves a deficit of \$38,649 to be recovered in future periods.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on Exhibit A. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and parking are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on Exhibit C. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds on the exhibits that follow each financial statement.
- Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The City as a Whole

The City's combined net assets increased by \$2,498,789 from a year ago – increasing from \$30,694,247 to \$33,193,036. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Assets**

	Governmental Activities 2007	Business-type Activities 2007	Total Primary Government 2007	Governmental Activities 2006	Business-type Activities 2006	Total Primary Government 2006
Current and other assets	\$ 7,474,720	\$ 123,337	\$ 7,598,057	\$ 7,344,616	\$ 1,251,331	\$ 8,595,947
Capital assets	12,460,699	36,644,794	49,105,493	10,854,972	36,162,786	47,017,758
Total assets	<u>19,935,419</u>	<u>36,768,131</u>	<u>56,703,550</u>	<u>18,199,588</u>	<u>37,414,117</u>	<u>55,613,705</u>
Long term liabilities	5,451,498	16,591,567	22,043,065	4,875,590	17,498,251	22,373,841
Other liabilities	1,347,239	120,210	1,467,449	2,397,650	147,967	2,545,617
Total liabilities	<u>6,798,737</u>	<u>16,711,777</u>	<u>23,510,514</u>	<u>7,273,240</u>	<u>17,646,218</u>	<u>24,919,458</u>
Net assets:						
Invested in capital assets,						
net of debt	8,163,918	20,398,305	28,562,223	6,527,630	20,138,958	26,666,588
Restricted	3,966,090	41,220	4,007,310	4,334,545	41,220	4,375,765
Unrestricted	1,006,674	(383,171)	623,503	64,173	(412,279)	(348,106)
Total net assets	<u>\$ 13,136,682</u>	<u>\$ 20,056,354</u>	<u>\$ 33,193,036</u>	<u>\$ 10,926,348</u>	<u>\$ 19,767,899</u>	<u>\$ 30,694,247</u>

As noted earlier, net assets may serve over time to be a useful indicator of a government's financial position.

Net assets of the City's governmental activities increased by 20.2% (\$10,926,348 compared to \$13,136,682). The increase is mainly due to the increase in capital assets that were funded by capital grants and contributions. The net assets of our business-type activities increased by 1.5 % (\$19,767,899 compared to \$20,056,354) in fiscal year 2007.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Table 2
Change in Net Assets

	Governmental Activities 2007	Business-type Activities 2007	Total Primary Government 2007	Governmental Activities 2006	Business-type Activities 2006	Total Primary Government 2006
REVENUES						
Program revenues:						
Charges for services	\$ 1,688,046	\$ 5,860,562	\$ 7,548,608	\$ 691,262	\$ 5,533,373	\$ 6,224,635
Operating grants and Contributions	771,969	0	771,969	1,275,557	0	1,275,557
Capital Grants and Contributions	1,425,176	22,183	1,447,359	2,602,686	0	2,602,686
General Revenues:						
Property Taxes, Penalties and Interest	6,471,318	0	6,471,318	5,968,903	0	5,968,903
Payment in Lieu of Taxes	184,000	0	184,000	0	0	0
Unrestricted Investment Earnings	144,530	10,315	154,845	67,994	14,795	82,789
Other Revenues	77,648	14,775	92,423	368,646	0	368,646
Total Revenues	10,762,687	5,907,835	16,670,522	10,975,048	5,548,168	16,523,216
PROGRAM EXPENSES						
General government	1,938,114	0	1,938,114	1,267,805	0	1,267,805
Public Safety	3,571,410	0	3,571,410	3,423,300	0	3,423,300
Highways and Streets	1,973,269	0	1,973,269	2,496,434	0	2,496,434
Culture and Recreation	555,980	0	555,980	391,367	0	391,367
Community Development	21,979	0	21,979	120,605	0	120,605
Cemetery	190,774	0	190,774	173,315	0	173,315
Interest on Long-Term Debt	310,527	0	310,527	246,147	0	246,147
Water	0	2,136,784	2,136,784	0	2,121,993	2,121,993
Sewer	0	2,960,436	2,960,436	0	3,032,200	3,032,200
Parking	0	512,460	512,460	0	559,985	559,985
Total Program Expenses	8,562,053	5,609,680	14,171,733	8,118,973	5,714,178	13,833,151
Excess Before Special Item and Transfers	2,200,634	298,155	2,498,789	2,856,075	(166,010)	2,690,065
Transfers	9,700	(9,700)	0	1,200	(1,200)	0
Increase in Net Assets	\$ 2,210,334	\$ 288,455	\$ 2,498,789	\$ 2,857,275	\$ (167,210)	\$ 2,690,065

Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The City's tax rate increased to \$1.10 from \$1.05 per \$100 of assessed value from fiscal year 2006 to fiscal year 2007 for the general expenses.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Table 3 presents the cost of each of the City's seven largest programs – general government, public safety, highways and streets, culture and recreation, water, sewer and parking – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3

	Governmental Activities		Business Activities		Governmental Activities		Business Activities	
	Total Cost	Net Revenues	Total Cost	Net Revenues	Total Cost	Net Revenues	Total Cost	Net Revenues
	of Services	(Cost)	of Services	(Cost)	of Services	(Cost)	of Services	(Cost)
	2007	2007	2007	2007	2006	2006	2006	2006
General Government	\$ 1,938,114	\$ (858,788)	\$ 0	\$ 0	\$ 1,267,805	\$ (918,007)	\$ 0	\$ 0
Public Safety	3,571,410	(2,843,502)	0	0	3,423,300	(2,634,537)	0	0
Highways and Streets	1,973,269	(306,337)	0	0	2,496,434	145,667	0	0
Culture and Recreation	555,980	(288,048)		0	391,367	(275,283)	0	0
Water	0	0	2,136,784	57,017	0	0	2,121,993	(35,370)
Sewer	0	0	2,960,436	102,762	0	0	3,032,200	(146,507)
Parking	0	0	512,460	113,286	0	0	559,985	1,072
All others	523,280	(380,187)	0	0	540,067	132,692	0	0
Totals	<u>\$ 8,562,053</u>	<u>\$ (4,676,862)</u>	<u>\$ 5,609,680</u>	<u>\$ 273,065</u>	<u>\$ 8,118,973</u>	<u>\$ (3,549,468)</u>	<u>\$ 5,714,178</u>	<u>\$ (180,805)</u>

The City's Funds

As the City completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$3,605,806, which is above last year's total of \$2,467,439. Included in this year's total change in fund balance is an increase of \$454,218 in the City's General Fund; a decrease of \$27,097 in the Community Development Fund; an increase of \$580,332 in the Capital Projects Fund and an increase of \$130,914 in the Other Governmental Funds.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

General Fund Budgetary Highlights

Revenues exceeded the budget by \$631,106. A significant part of the unbudgeted revenue was \$325,000 refunding note replacing the Water Fund loan to the General Fund. Most notable revenues exceeding budget are State PILOT \$134,018, interest income \$76,644, lease proceeds \$67,553 and sale of land and equipment \$42,700. Revenues that are lower than budget are plans and review fees \$56,120, fuel sales \$47,857, and recording document fees \$21,900.

Expenditure exceeded the budget by \$176,888. Most notable expenditures exceeding budget are emergency flood costs \$58,040, street salt and sand \$40,159, interest payments (which are offset by interest revenue) \$25,623, police station repairs \$21,015, Montpelier Community Internet debt \$20,845 and Montpelier Telecom \$19,320. Also, expenditures that are not in the original budget are appraisal expenditures \$57,140, which were offset by state revenue. Expenditures that are lower than budget are fire/EMS salaries & benefits \$56,496. Department of Public Works equipment maintenance \$32,869, Department of Public Works Street salaries and benefits \$29,702. Health insurance premiums are \$33,658 less than budgeted due to lower than anticipated rate increases.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the City had \$49,105,493 compared to \$47,017,758 at June 30, 2006 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below) This amount represents a net increase including additions and deductions) of \$2,087,735, over last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities 2007	Business-type Activities 2007	Totals	Governmental Activities 2006	Business-type Activities 2006	Totals
Land	\$ 586,334	\$ 250,672	\$ 837,006	\$ 591,550	\$ 250,672	\$ 842,222
Capital Improvements and Equipment	11,369,296	35,141,187	46,510,483	9,845,867	35,795,326	45,641,193
Construction in Progress	505,069	1,252,935	1,758,004	417,555	116,788	534,343
Totals	<u>\$ 12,460,699</u>	<u>\$ 36,644,794</u>	<u>\$ 49,105,493</u>	<u>\$ 10,854,972</u>	<u>\$ 36,162,786</u>	<u>\$ 47,017,758</u>

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

This year's major additions included:

Equipment and Vehicles	\$ 317,802
Land	3,100
General Government Construction in Progress	87,514
Other Improvements	170,110
Langdon Street Bridge – Contributed	1,372,766
Infrastructure – Rock Wall	46,361
Infrastructure – Roads, Etc.	258,415
Water Construction in Progress	12,855
Water Improvements	97,253
Water Equipment	70,315
Sewer Improvements	49,112
Sewer Equipment	70,456
Sewer Construction in Progress	1,123,292
Parking Meters	<u>19,878</u>
 Total	 <u>\$3,699,229</u>

The City's fiscal year 2008 governmental capital budget calls for it to spend \$56,500 more than the prior year's \$943,500 or \$1,000,000 for general governmental capital projects and debt of which debt service is approximately 69%.

Long Term - Debt

At June 30, 2007, the City had \$21,695,298 in bonds, capital leases and notes outstanding versus \$22,020,176 on June 30, 2006 – a decrease of \$324,878 (1.5%) – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Balance June 30, 2006	Additions	Payments	Balance June 30, 2007
Notes, Capital Leases and Bond Payable				
Governmental Activities	\$ 4,616,645	\$ 1,031,001	\$ 462,353	\$ 5,185,293
Proprietary Funds	<u>17,403,531</u>	<u>41,569</u>	<u>935,095</u>	<u>16,510,005</u>
Totals	<u>\$ 22,020,176</u>	<u>\$ 1,072,570</u>	<u>\$ 1,397,448</u>	<u>\$ 21,695,298</u>

New debt resulted from an ambulance lease and City Hall and Department of Public Works facility improvements.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered economic factors and the importance of maintaining the level of City services when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for the business-type activities.

One of the economic factors is the unemployment in the City, which stands at 2.9% (August 2007) compared with 2.2% (August, 2006) a year ago. This compares with the State's unemployment rate in August 2007 of 4.0% and the national rate of 4.7% for the same month (seasonally adjusted). When adopting the budget for fiscal year 2008, the City took into account these indicators as well as increased home values. They also factored in the Consumer Price Index percent change over one year of 3.1% for October, 2007. There is an increase of 3 cents on the tax rate or \$1.14 per assessed value for fiscal year 2008. Of this 3 cent increase, 4 cents is necessary to fund the municipal budget. There is a reduction of one cent in ballot items for outside agencies which were approved by the voters.

Looking ahead, the City is researching possible flood mitigation measures to alleviate the threat of damages due to seasonal flooding of the Winooski River in the downtown area.

Another major focus in the next few years is a complete reappraisal of all real estate in the City. Completion of the reappraisal is expected to be April 2009.

As for the City's business-type activities, utility rates increased 5% on July 1, 2007. It is expected that utility rates will be adjusted annually due to increases in maintenance, chemical, fuel and electricity costs.

Current quarterly water rates are as follows: \$6.94 per 1,000 for the first 50,000 gallons, \$7.37 per 1,000 for the next 200,000 gallons, \$11.95 per 1,000 for over \$250,000 gallons and a fixed charge for all accounts for meter reading, billing and other administrative service costs of \$19.50.

Current quarterly sewer rates are as follows: \$7.83 per 1,000 gallons of water used and a fixed charge for all for meter reading, billing and other administrative service costs of \$24.50.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Office at the City of Montpelier, 39 Main Street, Suite 600, Montpelier, VT 05602.

CITY OF MONTPELIER, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 1,105,563	\$ 50	\$ 1,105,613
Investments	797,721	0	797,721
Receivables (Net of Allowance for Uncollectibles)	1,144,501	1,174,619	2,319,120
Loans Receivable	2,446,947	0	2,446,947
Notes Receivable	289,055	434,508	723,563
Deposits	0	1,600	1,600
Prepaid Expenses	3,203	36,823	40,026
Inventories	97,308	61,680	158,988
Due from Fire District	4,479	0	4,479
Internal Balances	1,585,943	(1,585,943)	0
Capital Assets			
Land	586,334	250,672	837,006
Construction in Progress	505,069	1,252,935	1,758,004
Other Capital Assets, (Net of Accumulated Depreciation)	<u>11,369,296</u>	<u>35,141,187</u>	<u>46,510,483</u>
Total Assets	<u>19,935,419</u>	<u>36,768,131</u>	<u>56,703,550</u>
<u>LIABILITIES</u>			
Accounts Payable	289,351	69,675	359,026
Accrued Payroll and Related Expenses	145,638	1,050	146,688
Due to Montpelier Downtown Association	83,988	0	83,988
Deferred Revenue	55,421	4,658	60,079
Accrued Interest	22,841	44,827	67,668
Grant Anticipation Note	750,000	0	750,000
Noncurrent Liabilities:			
Due within One Year	509,950	957,143	1,467,093
Due in More than One Year	<u>4,941,548</u>	<u>15,634,424</u>	<u>20,575,972</u>
Total Liabilities	<u>6,798,737</u>	<u>16,711,777</u>	<u>23,510,514</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	8,163,918	20,398,305	28,562,223
Restricted	3,966,090	41,220	4,007,310
Unrestricted	<u>1,006,674</u>	<u>(383,171)</u>	<u>623,503</u>
Total Net Assets	<u>\$ 13,136,682</u>	<u>\$ 20,056,354</u>	<u>\$ 33,193,036</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	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							
Governmental Activities:							
General Government	\$ 1,938,114	\$ 1,051,146	\$ 28,180	\$ 0	\$ (858,788)	\$ 0	\$ (858,788)
Public Safety	3,571,410	420,516	269,116	38,276	(2,843,502)	0	(2,843,502)
Highways and Streets	1,973,269	117,545	259,172	1,290,215	(306,337)	0	(306,337)
Culture and Recreation	555,980	9,210	162,037	96,685	(288,048)	0	(288,048)
Community Development	21,979	0	53,464	0	31,485	0	31,485
Cemetery	190,774	89,629	0	0	(101,145)	0	(101,145)
Interest on Long-Term Debt	310,527	0	0	0	(310,527)	0	(310,527)
Total Governmental Activities	8,562,053	1,688,046	771,969	1,425,176	(4,676,862)	0	(4,676,862)
Business-Type Activities:							
Water	2,136,784	2,193,801	0	0	0	57,017	57,017
Sewer	2,960,436	3,041,015	0	22,183	0	102,762	102,762
Parking	512,460	625,746	0	0	0	113,286	113,286
Total Business-Type Activities	5,609,680	5,860,562	0	22,183	0	273,065	273,065
Total	\$ 14,171,733	\$ 7,548,608	\$ 771,969	\$ 1,447,359	(4,676,862)	273,065	(4,403,797)
General Revenues:							
Property Taxes, Penalties and Interest					6,471,318	0	6,471,318
Payment in Lieu of Taxes					184,000	0	184,000
Unrestricted Investment Earnings					144,530	10,315	154,845
Gain on Sale of Capital Assets					0	10,000	10,000
Other Revenues					77,648	4,775	82,423
Transfers					9,700	(9,700)	0
Total General Revenues and Transfers					6,887,196	15,390	6,902,586
Change in Net Assets					2,210,334	288,455	2,498,789
Net Assets - July 1, 2006					10,926,348	19,767,899	30,694,247
Net Assets - June 30, 2007					\$ 13,136,682	\$ 20,056,354	\$ 33,193,036

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

CITY OF MONTPELIER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 553,838	\$ 492,775	\$ 0	\$ 58,950	\$ 1,105,563
Investments	0	0	0	797,721	797,721
Receivables (Net of Allowance for Uncollectibles)	320,531	10,800	782,980	30,190	1,144,501
Loans Receivable	0	2,394,947	0	52,000	2,446,947
Note Receivable	289,055	0	0	0	289,055
Prepaid Expenses	3,203	0	0	0	3,203
Inventories	97,308	0	0	0	97,308
Due from Fire District	4,479	0	0	0	4,479
Due from Other Funds	618,336	0	823,479	505,451	1,947,266
Total Assets	\$ 1,886,750	\$ 2,898,522	\$ 1,606,459	\$ 1,444,312	\$ 7,836,043
<u>LIABILITIES</u>					
Liabilities:					
Accounts Payable	\$ 254,114	\$ 20,000	\$ 4,913	\$ 10,324	\$ 289,351
Accrued Payroll and Related Expenses	136,764	0	0	8,874	145,638
Due to Montpelier Downtown Association	83,988	0	0	0	83,988
Grant Anticipation Note	0	0	750,000	0	750,000
Deferred Revenue	109,364	2,377,246	17,432	95,895	2,599,937
Due to Other Funds	0	29,459	0	331,864	361,323
Total Liabilities	584,230	2,426,705	772,345	446,957	4,230,237
Fund Balances:					
Reserved for					
Inventories and Prepaid Expenses	100,511	0	0	0	100,511
Trustees of Public Funds	0	0	0	719,048	719,048
Other Purposes	394,585	471,817	675,877	93,089	1,635,368
Unreserved, Reported In					
General Fund	807,424	0	0	0	807,424
Special Revenue Funds	0	0	0	185,218	185,218
Capital Projects Funds	0	0	158,237	0	158,237
Total Fund Balances	1,302,520	471,817	834,114	997,355	3,605,806
Total Liabilities and Fund Balances	\$ 1,886,750	\$ 2,898,522	\$ 1,606,459	\$ 1,444,312	
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.					
					12,460,699
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					
					2,544,516
Long-Term and Accrued Liabilities, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.					
					(5,474,339)
Net Assets of Governmental Activities					
					\$ 13,136,682

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes, Penalties and Interest	\$ 6,433,382	\$ 0	\$ 0	\$ 0	\$ 6,433,382
Permits and Licenses	39,575	0	0	0	39,575
Intergovernmental	595,929	33,464	305,186	286,447	1,221,026
Fees and Charges for Services	1,403,263	0	27,173	38,801	1,469,237
Fines and Forfeitures	28,176	0	0	0	28,176
Investment Income	115,431	12,227	0	68,465	196,123
Contributions	600	0	1,100	613	2,313
Rents and Commissions	50	0	955	3,240	4,245
Equipment Revenues	95,220	0	0	0	95,220
Loan Principal Repayments	0	41,009	0	0	41,009
Other Revenues	75,110	36	0	2,502	77,648
Total Revenues	8,786,736	86,736	334,414	400,068	9,607,954
Expenditures:					
General Government	1,853,652	0	0	0	1,853,652
Public Safety	3,238,559	0	0	170,914	3,409,473
Highways and Streets	1,707,987	0	2,451	0	1,710,438
Culture and Recreation	273,151	83,833	14,382	181,372	552,738
Community Development	46,636	0	0	52,000	98,636
Cemetery	0	0	0	179,166	179,166
Capital Outlay	248,250	0	614,986	66,009	929,245
Debt Service - Interest	307,764	0	0	1,075	308,839
Debt Service - Principal	455,153	0	0	7,200	462,353
Total Expenditures	8,131,152	83,833	631,819	657,736	9,504,540
Excess/(Deficiency) of Revenues Over Expenditures	655,584	2,903	(297,405)	(257,668)	103,414
Other Financing Sources/(Uses):					
Debt Proceeds	392,553	0	540,000	50,000	982,553
Sale of Equipment and Land	42,700	0	0	0	42,700
Transfers from Other Funds	30,000	0	337,737	424,644	792,381
Transfers to Other Funds	(666,619)	(30,000)	0	(86,062)	(782,681)
Total Other Financing Sources/(Uses)	(201,366)	(30,000)	877,737	388,582	1,034,953
Net Change in Fund Balances	454,218	(27,097)	580,332	130,914	1,138,367
Fund Balances - July 1, 2006	848,302	498,914	253,782	866,441	2,467,439
Fund Balances - June 30, 2007	<u>\$ 1,302,520</u>	<u>\$ 471,817</u>	<u>\$ 834,114</u>	<u>\$ 997,355</u>	<u>\$ 3,605,806</u>

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

CITY OF MONTPELIER, 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, 2007

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)	\$ 1,138,367
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	352,420
Noncash capital contributions are revenues that do not provide current financial resources and therefore are not reported as revenues in the funds.	1,296,007
The net effect of various transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(42,700)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(141,274)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt 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.	(520,200)
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, while the repayment of certain liabilities consumes current financial resources but has no effect on net assets. This amount is the net effect of these differences in the treatment of expenses.	<u>127,714</u>
Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ 2,210,334</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Property Taxes, Penalties and Interest	\$ 5,814,190	\$ 5,801,868	\$ (12,322)
Intergovernmental	519,003	573,429	54,426
Fees and Charges for Services	1,604,910	1,868,912	264,002
Fund Transfers	682,780	682,780	0
Bond Proceeds	<u>0</u>	<u>325,000</u>	<u>325,000</u>
 Total Revenue	 <u>8,620,883</u>	 <u>9,251,989</u>	 <u>631,106</u>
Expenditures:			
City Council Operations	24,988	39,400	(14,412)
City Manager's Office	265,490	284,787	(19,297)
Clerk/Treasurer/Elections	267,839	246,026	21,813
Finance Department	287,714	276,707	11,007
Technology Services	141,784	145,316	(3,532)
Property Assessment	98,890	104,453	(5,563)
Planning and Development	319,602	313,797	5,805
City Hall Maintenance	172,220	170,948	1,272
Police:			
General	1,287,969	1,322,211	(34,242)
Communications	397,371	405,834	(8,463)
Outside Pay	0	2,948	(2,948)
School Resource Officer	76,545	70,676	5,869
Fire and Ambulance	1,534,010	1,502,417	31,593
Code Enforcement	67,023	66,504	519
Emergency Management	9,341	65,181	(55,840)
Public Works:			
Streets	1,190,319	1,198,544	(8,225)
Fleet Operations	511,129	468,588	42,541
Building Operations	65,000	51,784	13,216
Wrightsville Beach	3,616	3,616	0
Kellogg-Hubbard Library	99,660	99,660	0
Outside Agencies in Budget	73,875	73,875	0
Ballot Items	148,000	148,000	0
Community Enhancements	58,800	56,800	2,000
Tree Management and Board	10,869	1,973	8,896
Tree Board	0	3,100	(3,100)
Conservation Commission	3,000	4,763	(1,763)
Debt Service	611,304	657,772	(46,468)
Other Governmental Service	121,905	122,897	(992)
Equipment Plan	235,854	231,863	3,991
Contingency	0	335	(335)
Reappraisal Expenses	0	57,140	(57,140)
Miscellaneous Expense	0	10,777	(10,777)
Transfer to Other Funds:			
Capital Projects	332,196	332,196	0
Cemetery	108,429	108,429	0
Parks	96,141	96,141	0
Montpelier Housing Trust Fund	<u>0</u>	<u>52,313</u>	<u>(52,313)</u>
 Total Expenditures	 <u>8,620,883</u>	 <u>8,797,771</u>	 <u>(176,888)</u>
Excess of Revenues Over Expenditures	\$ <u>0</u>	454,218	\$ <u>454,218</u>
Fund Balance - July 1, 2006		<u>848,302</u>	
Fund Balance - June 30, 2007		<u>\$ 1,302,520</u>	

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Water Fund	Sewer Fund	Parking Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 0	\$ 0	\$ 50	\$ 50
Receivables	614,095	559,774	750	1,174,619
Note Receivable - Current Portion	64,197	0	0	64,197
Due from Other Funds	0	0	484	484
Deposits	0	0	1,600	1,600
Prepaid Expenses	0	0	36,823	36,823
Inventory	57,372	4,308	0	61,680
Total Current Assets	<u>735,664</u>	<u>564,082</u>	<u>39,707</u>	<u>1,339,453</u>
Noncurrent Assets:				
Note Receivable - Noncurrent Portion	370,311	0	0	370,311
Capital Assets				
Land	32,000	0	218,672	250,672
Construction in Progress	36,451	1,216,484	0	1,252,935
Buildings	11,557,678	9,709,565	0	21,267,243
Improvements	8,513,156	18,337,548	199,470	27,050,174
Equipment and Vehicles	648,095	648,153	108,445	1,404,693
Accumulated Depreciation	<u>(3,878,537)</u>	<u>(10,501,199)</u>	<u>(201,187)</u>	<u>(14,580,923)</u>
Total Noncurrent Assets	<u>17,279,154</u>	<u>19,410,551</u>	<u>325,400</u>	<u>37,015,105</u>
Total Assets	<u>\$ 18,014,818</u>	<u>\$ 19,974,633</u>	<u>\$ 365,107</u>	<u>\$ 38,354,558</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 9,610	\$ 33,612	\$ 26,453	\$ 69,675
Due to Other Funds	1,280,647	305,780	0	1,586,427
Accrued Payroll and Related Expenses	525	525	0	1,050
Accrued Interest Payable	33,724	11,103	0	44,827
Deferred Revenue	4,658	0	0	4,658
Bonds Payable - Current Portion	400,000	557,143	0	957,143
Total Current Liabilities	<u>1,729,164</u>	<u>908,163</u>	<u>26,453</u>	<u>2,663,780</u>
Noncurrent Liabilities:				
Bonds Payable - Long-Term Portion	6,805,000	8,747,862	0	15,552,862
Accrued Compensated Absences	33,683	37,196	10,683	81,562
Total Noncurrent Liabilities	<u>6,838,683</u>	<u>8,785,058</u>	<u>10,683</u>	<u>15,634,424</u>
Total Liabilities	<u>8,567,847</u>	<u>9,693,221</u>	<u>37,136</u>	<u>18,298,204</u>
NET ASSETS				
Invested in Property and Equipment	9,703,843	10,369,062	325,400	20,398,305
Restricted	0	0	41,220	41,220
Unrestricted	<u>(256,872)</u>	<u>(87,650)</u>	<u>(38,649)</u>	<u>(383,171)</u>
Total Net Assets	<u>9,446,971</u>	<u>10,281,412</u>	<u>327,971</u>	<u>20,056,354</u>
Total Liabilities and Net Assets	<u>\$ 18,014,818</u>	<u>\$ 19,974,633</u>	<u>\$ 365,107</u>	<u>\$ 38,354,558</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services	\$ 2,174,277	\$ 3,027,847	\$ 625,746	\$ 5,827,870
Interest and Penalties	19,524	13,168	0	32,692
Miscellaneous	<u>1,570</u>	<u>3,205</u>	<u>0</u>	<u>4,775</u>
Total Operating Revenues	<u>2,195,371</u>	<u>3,044,220</u>	<u>625,746</u>	<u>5,865,337</u>
OPERATING EXPENSES:				
Administration	408,332	326,471	0	734,803
Supplies and Treatment	459,351	1,493,935	0	1,953,286
Distribution System	388,131	0	0	388,131
Collection System	0	490,142	0	490,142
Delinquent Collection	16,572	16,535	0	33,107
Meter Operations	48,789	0	0	48,789
Private Sewer System Maintenance	0	6,029	0	6,029
Parking Enforcement	0	0	327,251	327,251
Parking Lot Leases	0	0	62,996	62,996
Parking Lot Maintenance	0	0	105,789	105,789
Depreciation Expense	<u>444,586</u>	<u>500,143</u>	<u>16,424</u>	<u>961,153</u>
Total Operating Expenses	<u>1,765,761</u>	<u>2,833,255</u>	<u>512,460</u>	<u>5,111,476</u>
Net Operating Income	<u>429,610</u>	<u>210,965</u>	<u>113,286</u>	<u>753,861</u>
NONOPERATING REVENUES/(EXPENSES):				
Interest Earnings	10,315	0	0	10,315
Interest Expense	(371,023)	(127,181)	0	(498,204)
Gain on Sale of Land	9,000	0	0	9,000
Gain on Sale of Equipment	0	1,000	0	1,000
Capital Grants	0	22,183	0	22,183
Transfers from Other Funds	300	0	0	300
Transfers to Other Funds	<u>0</u>	<u>0</u>	<u>(10,000)</u>	<u>(10,000)</u>
Total Nonoperating Revenues/(Expenses)	<u>(351,408)</u>	<u>(103,998)</u>	<u>(10,000)</u>	<u>(465,406)</u>
Change in Net Assets	78,202	106,967	103,286	288,455
Net Assets - July 1, 2006	<u>9,368,769</u>	<u>10,174,445</u>	<u>224,685</u>	<u>19,767,899</u>
Net Assets - June 30, 2007	<u>\$ 9,446,971</u>	<u>\$ 10,281,412</u>	<u>\$ 327,971</u>	<u>\$ 20,056,354</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 2,202,226	\$ 3,016,131	\$ 591,706	\$ 5,810,063
Payments to Suppliers	(353,185)	(1,005,183)	(116,228)	(1,474,596)
Payments for Wages and Benefits	(646,100)	(845,163)	(299,660)	(1,790,923)
Payments for Interfund Services	(346,887)	(517,917)	(65,575)	(930,379)
Net Cash Provided by Operating Activities	<u>856,054</u>	<u>647,868</u>	<u>110,243</u>	<u>1,614,165</u>
Cash Flows from Noncapital Financing Activities:				
Decrease/(Increase) in Due From Other Funds	325,000	906,735	(484)	1,231,251
(Decrease)/Increase in Due To Other Funds	(297,050)	305,780	(79,881)	(71,151)
Transfers Received From Other Funds	300	0	0	300
Transfers Paid to Other Funds	<u>0</u>	<u>0</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>28,250</u>	<u>1,212,515</u>	<u>(90,365)</u>	<u>1,150,400</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(180,424)	(1,242,859)	(19,878)	(1,443,161)
Receipts from Capital Grants	0	22,183	0	22,183
Proceeds from Sale of Capital Assets	9,000	1,000	0	10,000
Proceeds from General Obligation Bonds	0	41,569	0	41,569
Principal Payments on General Obligation Bonds	(380,000)	(555,095)	0	(935,095)
Interest Payments on General Obligation Bonds	<u>(371,023)</u>	<u>(127,181)</u>	<u>0</u>	<u>(498,204)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(922,447)</u>	<u>(1,860,383)</u>	<u>(19,878)</u>	<u>(2,802,708)</u>
Cash Flows from Investing Activities:				
Receipt of Investment Income	10,315	0	0	10,315
Receipt of Note Receivable Principal	<u>27,828</u>	<u>0</u>	<u>0</u>	<u>27,828</u>
Net Cash Provided by Investing Activities	<u>38,143</u>	<u>0</u>	<u>0</u>	<u>38,143</u>
Net Increase in Cash	0	0	0	0
Cash - July 1, 2006	<u>0</u>	<u>0</u>	<u>50</u>	<u>50</u>
Cash - June 30, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50</u>	<u>\$ 50</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Net Operating Income/(Loss)	\$ 429,610	\$ 210,965	\$ 113,286	\$ 753,861
Depreciation Expense	444,586	500,143	16,424	961,153
Decrease/(Increase) in Accounts Receivable	(1,239)	(28,392)	1,200	(28,431)
Decrease/(Increase) in Deposits	0	0	(1,600)	(1,600)
Decrease/(Increase) in Prepaid Expenses	0	0	(33,640)	(33,640)
Decrease/(Increase) in Inventory	3,436	303	0	3,739
(Decrease)/Increase in Accounts Payable	(6,993)	(23,490)	24,287	(6,196)
(Decrease)/Increase in Construction Payable	(7,105)	0	0	(7,105)
(Decrease)/Increase in Accrued Payroll	(6,137)	(9,177)	(3,802)	(19,116)
(Decrease)/Increase in Deferred Revenue	4,658	0	0	4,658
(Decrease)/Increase in Accrued Vacation	<u>(4,762)</u>	<u>(2,484)</u>	<u>(5,912)</u>	<u>(13,158)</u>
Net Cash Provided by Operating Activities	<u>\$ 856,054</u>	<u>\$ 647,868</u>	<u>\$ 110,243</u>	<u>\$ 1,614,165</u>

The Water Fund sold land with a basis of \$0 for \$9,000.

The Sewer Fund sold equipment with a cost and accumulated depreciation of \$4,457 for \$1,000.

The Parking Fund disposed of equipment with a cost and accumulated depreciation of \$3,000.

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

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

The City of Montpelier, Vermont (City) was chartered on March 5, 1895 and operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, culture and recreation, community development, cemetery, public improvements, water, sewer, parking and general administrative services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the City of Montpelier, Vermont 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.

1A. The Financial Reporting Entity

This report includes all of the funds of the City of Montpelier, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on the aforementioned criteria, the City has one component unit, The Green Mountain Cemetery Commission. Although legally separate, the Commission is blended as a governmental non-major fund into the primary government. Separate financial statements for the Commission are not issued.

1B. 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.

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.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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. 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. Separate statements for each fund category, governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports on the following major governmental funds;

General Fund - This is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Community Development Fund - This Fund is used to account for the Community Development grant and loan programs throughout the City.

Capital Projects Fund - This Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

The City reports on the following major enterprise funds:

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

Sewer Fund – This Fund accounts for the operations of the Sewer Department.

Parking Fund – This fund accounts for the operations of parking activities.

1C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e., net total assets) is segregated into investment 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 reserved and unreserved fund balances. 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.

1D. Basis of Accounting

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

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include 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 MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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 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 issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, 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 Standards issued after November 30, 1989.

1E. 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 MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

1F. Assets, Liabilities and Equity

1F a. Cash

The City considers all short-term investments of ninety (90) days or less to be cash equivalents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

1F b. Investments

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

1F c. Receivables

The City utilizes the allowance method for uncollectible accounts. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

1F d. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

1F e. Inventories and Prepaid Expenses

Inventories are determined by physical count and valued at the lower of cost (first-in, first-out) or market. Inventories in the General and Proprietary Funds consist of expendable supplies held for consumption.

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

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net current assets.

CITY OF MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2007

1F f. 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. The City has elected to not report major general infrastructure assets retroactively. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

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	N/A
Buildings	\$5,000	40-100 years
Building Improvements	\$5,000	20-75 years
Improvements	\$5,000	15-75 years
Equipment and Vehicles	\$5,000	5-20 years
Infrastructure	\$5,000	10-25 years

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

1F g. Compensated Absences

It is the policy of the City of Montpelier, Vermont to permit employees to accumulate earned but unused vacation benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund type financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

1F h. Long-term Liabilities

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

1F i. 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. Reservations of fund balances and restrictions of retained earnings represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balance represent tentative management plans that are subject to change. Undesignated funds are available for future appropriations.

2. 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, while 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 revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

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

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

2A. Governmental Funds Balance Sheet and the Statement of Net Assets

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

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Elimination of Interfund Balances	Statement of Net Assets
ASSETS					
Cash	\$ 1,105,563	\$ 0	\$ 0	\$ 0	\$ 1,105,563
Investments	797,721	0	0	0	797,721
Receivables	1,144,501	0	0	0	1,144,501
Loans Receivable	2,446,947	0	0	0	2,446,947
Note Receivable	289,055	0	0	0	289,055
Prepaid Expenses	3,203	0	0	0	3,203
Inventories	97,308	0	0	0	97,308
Due From Fire District	4,479	0	0	0	4,479
Due From Other Funds	1,947,266	0	0	(361,323)	1,585,943
Capital Assets	0	0	12,460,699	0	12,460,699
	<u>7,836,043</u>	<u>0</u>	<u>12,460,699</u>	<u>(361,323)</u>	<u>19,935,419</u>
Total Assets					
LIABILITIES					
Accounts Payable	289,351	0	0	0	289,351
Accrued Payroll and Related Expenses	145,638	0	0	0	145,638
Due to Montpelier Downtown Association	83,988	0	0	0	83,988
Due to Other Funds	361,323	0	0	(361,323)	0
Grant Anticipation Note	750,000	0	0	0	750,000
Deferred Revenue	2,599,937	(2,544,516)	0	0	55,421
Accrued Interest	0	22,841	0	0	22,841
Noncurrent Liabilities	0	1,154,717	4,296,781	0	5,451,498
	<u>4,230,237</u>	<u>(1,366,958)</u>	<u>4,296,781</u>	<u>(361,323)</u>	<u>6,798,737</u>
Total Liabilities					
NET ASSETS					
Invested in Capital Assets	0	0	8,163,918	0	8,163,918
Other	3,605,806	1,366,958	0	0	4,972,764
	<u>3,605,806</u>	<u>1,366,958</u>	<u>8,163,918</u>	<u>0</u>	<u>13,136,682</u>
Total Net Assets					

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

2B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

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

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES					
Property Taxes, Penalties and Interest	\$ 6,433,382	\$ 37,936	\$ 0	\$ 0	\$ 6,471,318
Permits and Licenses	39,575	0	0	(39,575)	0
Intergovernmental	1,221,026	0	0	(1,221,026)	0
Fees and Charges for Services	1,469,237	0	0	218,809	1,688,046
Fines and Forfeitures	28,176	0	0	(28,176)	0
Investment Income	196,123	0	0	(51,593)	144,530
Contributions	2,313	0	0	(2,313)	0
Rents and Commissions	4,245	0	0	(4,245)	0
Equipment Revenues	95,220	0	0	(95,220)	0
Loan Principal Repayments	41,009	(41,009)	0	0	0
Other Revenues	77,648	0	0	0	77,648
Debt Proceeds	982,553	(982,553)	0	0	0
Sale of Equipment and Land	42,700	0	(42,700)	0	0
Payment in Lieu of Taxes	0	0	0	184,000	184,000
Operating Grants and Contributions	0	0	0	771,969	771,969
Capital Grants and Contributions	0	(138,201)	1,296,007	267,370	1,425,176
Transfers from Other Funds	792,381	0	0	(782,681)	9,700
	<u>11,425,588</u>	<u>(1,123,827)</u>	<u>1,253,307</u>	<u>(782,681)</u>	<u>10,772,387</u>
EXPENDITURES					
General Government	1,853,652	(17,582)	102,044	0	1,938,114
Public Safety	3,409,473	(17,581)	179,518	0	3,571,410
Highways and Streets	1,710,438	(17,582)	280,413	0	1,973,269
Culture and Recreation	552,738	0	3,242	0	555,980
Community Development	98,636	(76,657)	0	0	21,979
Cemetery	179,166	0	11,608	0	190,774
Capital Outlay	929,245	0	(929,245)	0	0
Debt Service - Interest	308,839	1,688	0	0	310,527
Debt Service - Principal	462,353	(462,353)	0	0	0
Transfers to Other Funds	782,681	0	0	(782,681)	0
	<u>10,287,221</u>	<u>(590,067)</u>	<u>(352,420)</u>	<u>(782,681)</u>	<u>8,562,053</u>
Net Change for the Year	<u>\$ 1,138,367</u>	<u>\$ (533,760)</u>	<u>\$ 1,605,727</u>	<u>\$ 0</u>	<u>\$ 2,210,334</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

3A. Budgetary Information

During January of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are then conducted to obtain taxpayer comments.

Annually, on the first Tuesday in March, the voters authorize a specific sum of budgeted tax appropriation for the support of all City departments. Subsequent to the City's Annual Meeting and before the beginning of the fiscal year on July 1, the City Council finalizes the budget for City departments.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. There were no budget amendments during the year. The City budgets operating transfers between the Proprietary Funds and the General Fund as expenses in the Proprietary Funds and as operating transfers in the General Fund.

3B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2007, expenditures exceeded appropriations in the General Fund by \$176,888. These were funded by excess revenues.

4. DETAILED NOTES ON ALL FUNDS

4A. Cash and Investments

Cash - Deposits with Financial Institutions	\$ 1,105,213
Cash on Hand	400
Total Cash	<u>1,105,613</u>
Investments - Certificates of Deposit	80,475
Money Market Mutual Funds	59,093
Mutual Funds - Mixed Holdings	76,274
Mutual Funds - Bonds	492,566
Mutual Funds - Stocks	86,573
Corporate Stock	2,740
Total Investments	<u>797,721</u>
Total Cash and Investments	\$ <u>1,903,334</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Investment Policy

The City's investment policy is as follows:

All public funds (defined herein) shall be invested to achieve liquidity, security and return. Of the foregoing, it is the declared intention of the City Council to provide for security of investment, both principal and interest, as a priority.

Public funds shall be invested in accordance with the following schedule of priorities:

- (a) Deposits insured by an agency of the federal government; provided, however, that up to \$500,000 of uninsured public funds may be invested or deposited in any one state or federal banking institution which maintains offices in the City of Montpelier.
- (b) Obligations of the United States, such as Treasury Notes.
- (c) General obligations of the State of Vermont.
- (d) General obligations of the several states.
- (e) Securities fully insured by an agency of the United States, or fully collateralized by securities of the United States.
- (f) Periodically, and at least every three years, the City Treasurer shall cause to be made a survey of all banking institutions maintaining offices in Washington County and whose services area includes the City of Montpelier. Each banking institution so surveyed will be required to submit a proposal to serve as the City's lead bank and as one of the City's depository banks. The City Treasurer, in concert with the City Council, shall designate annually a lead bank and one or more depository banks, and shall establish the banking service to be secured from each.
- (g) In order to achieve investment liquidity, the City Treasurer shall be given thirty days advance notice of any requisition or warrant in excess of \$50,000.
- (h) The term "public funds" shall not include cash or credits held for the City's benefit as performance or completion.
- (i) For investments that the City controls directly, no investment will be made in tobacco stocks. For investments in which the City has an advisory role or has a seat on an investment board or committee, or where the City is constrained in its action by statute or existing contract, the City and/or its representatives shall make their best efforts to avoid investment of City funds in tobacco stocks, consistent with their fiduciary responsibilities.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. Mutual funds are shown at their weighted average maturity (if available). The certificates of deposits are shown at their actual maturity. Corporate stock is exempt from this analysis.

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>					<u>Total</u>
	<u>0-1</u>	<u>1-5</u>	<u>6-10</u>	<u>Data not Available</u>	<u>N/A</u>	
Certificates of Deposit	\$ 80,475	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,475
Money Market Mutual Funds	59,093	0	0	0	0	59,093
Mutual Funds - Mixed Holdings	0	0	0	76,274	0	76,274
Mutual Funds - Bonds	0	97,778	394,788	0	0	492,566
Mutual Funds - Stocks	0	0	0	0	86,573	86,573
Corporate Stock	0	0	0	0	2,740	2,740
	<u>\$ 139,568</u>	<u>\$ 97,778</u>	<u>\$ 394,788</u>	<u>\$ 76,274</u>	<u>\$ 89,313</u>	<u>\$ 797,721</u>

Credit Risk

Generally, credit risk is the risk than 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 certificates of deposit are not rated. The corporate stock is exempt from this analysis. The mutual funds are open-ended and are therefore excluded from the credit risk analysis.

<u>Investment Type</u>	<u>Exempt From Disclosure</u>		<u>Total</u>
	<u>Disclosed</u>	<u>Unrated</u>	
Certificates of Deposit	\$ 0	\$ 80,475	\$ 80,475
Money Market Mutual Funds	59,093	0	59,093
Mutual Funds - Mixed Holdings	76,274	0	76,274
Mutual Funds - Bonds	492,566	0	492,566
Mutual Funds - Stocks	86,573	0	86,573
Corporate Stock	2,740	0	2,740
	<u>\$ 717,246</u>	<u>\$ 80,475</u>	<u>\$ 797,721</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Concentration of Credit Risk

The City does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer, other than certificates of deposit and mutual funds, that represent more than 5% of total investments.

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's investments are held in its name and are not subject to custodial credit risk. The City does not have any policy to limit the exposure to custodial credit risk. The table below shows the custodial credit risk of the City's cash and certificates of deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	\$ 188,561	\$ 188,561
Insured by Private Surety Bond	591,755	2,320,366
Uninsured, Uncollateralized	<u>405,372</u>	<u>405,372</u>
 Total Deposits	 <u>\$ 1,185,688</u>	 <u>\$ 2,914,299</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 flow 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 – Deposits with Financial Institutions	\$1,105,213
Investments - Certificates of Deposits	<u>80,475</u>
 Total	 <u>\$1,185,688</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

4B. Receivables

Receivables at June 30, 2007, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes Penalties and Interest	\$ 145,445	\$ 0	\$ 145,445
Ambulance	305,204	0	305,204
Accounts Receivable	91,655	0	91,655
Grants	841,256	13,779	855,035
Billed Services	0	210,937	210,937
Unbilled Services	0	956,903	956,903
Other Receivables	18,341	0	18,341
Allowance for Doubtful Accounts	(257,400)	(7,000)	(264,400)
	\$ 1,144,501	\$ 1,174,619	\$ 2,319,120

4C. Loans Receivable

Governmental Activities:

There are approximately 80 loans to residents, businesses, and non-profit organizations that were funded with various community development grants and loans. The largest outstanding balance is approximately \$600,000 and there are two other loans with balances over \$100,000. The terms of the loans vary depending on the type of the loan allowed per the grant agreements. Interest rates vary between 0% and 8%.

\$2,423,688

Notes Receivable, Three (3) Housing Loans, 0% Interest, Due Upon Any Conveyance or Transfer of Condominium Units

52,000

Total

2,475,688

Allowance for Doubtful Accounts

(28,741)

Net

\$2,446,947

Beginning
Balance

Additions

Deletions

Ending
Balance

\$2,404,025

\$112,672

\$41,009

\$2,475,688

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

4D. Notes Receivable

A loan of \$443,000 was made by the General Fund to Connor Brothers with monthly payments of \$2,889 beginning January 1, 2001 through October 1, 2015 with one final principal payment on November 1, 2015 of \$35,000, interest at 2.7%. The balance of the loan on June 30, 2007 was \$289,055. This loan is secured by the building. The current principal due over the next twelve months is \$27,306.

A loan of \$462,336 was made by the Water Fund to Scotts Construction, Inc. with monthly payments of \$7,446 beginning February 1, 2007 through January 1, 2013, interest at 5.0%. The balance of the loan on June 30, 2007 was \$434,508.

4E. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 591,550	\$ 3,100	\$ 8,316	\$ 586,334
Construction in Progress	417,555	87,514	0	505,069
Total Capital Assets, Not Being Depreciated	<u>1,009,105</u>	<u>90,614</u>	<u>8,316</u>	<u>1,091,403</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	6,280,602	170,110	0	6,450,712
Vehicles and Equipment	4,621,269	317,802	243,456	4,695,615
Infrastructure	2,651,031	1,677,542	0	4,328,573
Totals	<u>13,552,902</u>	<u>2,165,454</u>	<u>243,456</u>	<u>15,474,900</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	1,399,341	125,115	0	1,524,456
Vehicles and Equipment	2,236,186	361,320	173,090	2,424,416
Infrastructure	71,508	85,224	0	156,732
Totals	<u>3,707,035</u>	<u>571,659</u>	<u>173,090</u>	<u>4,105,604</u>
Total Capital Assets, Being Depreciated	<u>9,845,867</u>	<u>1,593,795</u>	<u>70,366</u>	<u>11,369,296</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,854,972</u>	<u>\$ 1,684,409</u>	<u>\$ 78,682</u>	<u>\$ 12,460,699</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 250,672	\$ 0	\$ 0	\$ 250,672
Construction in Progress	116,788	1,136,147	0	1,252,935
Total Capital Assets, Not Being Depreciated	<u>367,460</u>	<u>1,136,147</u>	<u>0</u>	<u>1,503,607</u>
Capital Assets Being Depreciated:				
Building	21,267,243	0	0	21,267,243
Improvements	26,906,809	146,365	3,000	27,050,174
Equipment and Vehicles	1,248,501	160,649	4,457	1,404,693
Total Capital Assets, Being Depreciated	<u>49,422,553</u>	<u>307,014</u>	<u>7,457</u>	<u>49,722,110</u>
Less Accumulated Depreciation for:				
Buildings	2,687,502	411,330	0	3,098,832
Improvements	10,347,830	468,564	3,000	10,813,394
Equipment and Vehicles	591,895	81,259	4,457	668,697
Totals	<u>13,627,227</u>	<u>961,153</u>	<u>7,457</u>	<u>14,580,923</u>
Total Capital Assets, Being Depreciated	<u>35,795,326</u>	<u>(654,139)</u>	<u>0</u>	<u>35,141,187</u>
Business-Type Activities Capital Assets, Net	<u>\$ 36,162,786</u>	<u>\$ 482,008</u>	<u>\$ 0</u>	<u>\$ 36,644,794</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 96,878	Water	\$ 444,586
Public Safety	179,518	Sewer	500,143
Public Works	280,413	Parking	<u>16,424</u>
Culture and Recreation	3,242		
Cemetery	<u>11,608</u>		
Total Depreciation Expense - Governmental		Total Depreciation Expense - Business-Type Activities	
	\$ <u>571,659</u>		\$ <u>961,153</u>

\$265,511 of governmental equipment and vehicles have been acquired through outstanding capital leases. \$4,265 has been amortized to cemetery operating expenses and \$49,854 has been amortized to public safety operating expenses as of June 30, 2007. The amortization has been charged to depreciation expense.

4F. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2007, is as follows:

<u>Fund</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>
Due To/From Other Funds:		
General Fund	\$ 618,336	\$ 0
Community Development Fund	0	29,459
Capital Projects Fund	823,479	0
Other Governmental Funds	505,451	331,864
Water Fund	0	1,280,647
Sewer Fund	0	305,780
Parking Fund	<u>484</u>	<u>0</u>
Total Due To/From Other Funds	\$ <u>1,947,750</u>	\$ <u>1,947,750</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Interfund transfers for the year ended June 30, 2007 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 332,196	Budgetary Authorization
General Fund	Capital Projects Fund	5,541	Transfer Local Match for Grant
General Fund	Justice Fund	9,000	Budgetary Authorization
General Fund	Montpelier Events Fund	11,000	Budgetary Authorization
General Fund	Montpelier Parks Commission	96,141	Budgetary Authorization
General Fund	Montpelier Housing Trust	104,312	Transfer Reserves and Budgetary Authorizations
General Fund	Green Mountain Cemetery	108,429	Budgetary Authorization
Community Development	General Fund	30,000	Budgetary Authorization
Expendable Cemetery Trust	Green Mountain Cemetery	28,000	Budgetary Authorization
Non-Expendable Cemetery Trust	Expendable Cemetery Trust	49,541	Interest Income Transfer
Green Mountain Cemetery	Non-Expendable Cemetery Trust	7,925	Transfer Reserves
Montpelier Parks Commission	Water Fund	300	Budgetary Authorization
Hubbard Park Non-Expendable	Montpelier Parks Commission	296	Interest Income Transfer
Parking Fund	Green Mountain Cemetery	<u>10,000</u>	Budgetary Authorization
Total		<u>\$ 792,681</u>	

4G. Deferred Revenue

Deferred Revenue in the General Fund consists of \$97,838 of delinquent taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$11,526 of property taxes received in advance for fiscal year 2008. Total Deferred Revenue in the General Fund is \$109,364.

Deferred Revenue in the Community Development Fund consists of \$2,377,246 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Capital Projects Fund consists of \$17,432 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Other Governmental Funds consists of \$43,895 of grant monies received in advance and \$52,000 of loans receivable that was not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the Other Governmental Funds is \$95,895.

Deferred Revenue in the Water Fund consists of \$4,658 of water usage overpayments.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

4H. Long-term Liabilities

General Obligation Bonds: The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general governmental activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues.

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

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

Capital Lease Obligations – The City enters into a lease agreement 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 through 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 dates of the leases. Leases 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.

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.

Agency of Commerce and Community Development Assessment – The City received money from the Agency of Commerce and Community Development (ACCD) to provide Community Development Loans. The City annually pays back a portion on the assessment based upon program income as defined in the agreement between the City and ACCD.

Compensated Absences – It is the policy of the City of Montpelier, Vermont to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Long-term liabilities outstanding as of June 30, 2007 were as follows:

Governmental Activities

Berlin Street Reconstruction Bond, Various Interest Rates (6.6% - 7.7%), to Vermont Municipal Bond Bank, Refunded by the Vermont Municipal Bond Bank, August 2, 1995 from 1991 Series 1 To 1995 Series 1 and 2, Principal Payable in Annual Installments of \$10,000 to December 1, 2005 and \$5,000 from December 1, 2006 to December 1, 2011

\$ 25,000

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

<p>Gould Hill Road Improvement Bond, Various Interest Rates (3.8% - 5.4%), to Vermont Municipal Bond Bank, \$41,700 Principal Due Annually from December 1, 1994 to December 1, 2008 and \$24,500 Principal due December 1, 2009</p>	<p>\$ 107,900</p>
<p>Bridge Improvement Bond, Various Interest Rates (3.8% - 5.4%), to Vermont Municipal Bond Bank, \$3,300 Principal Due Annually From December 1, 2004 to December 1, 2008 and \$500 Principal Due December 1, 2009</p>	<p>7,100</p>
<p>Retaining Walls Bond, Net Interest Rate 5.676%, to Vermont Municipal Bond Bank, \$5,000 Principal Payments Due Annually From December 1, 1997 to December 1, 2016</p>	<p>50,000</p>
<p>Fire Station Improvement Bond, Net Interest Rate 5.029%, to Vermont Municipal Bond Bank, \$40,000 Principal Payments Due Annually From December 1, 1998 to December 1, 2007 and \$35,000 Due Annually From December 1, 2008 to December 1, 2017</p>	<p>390,000</p>
<p>Bridge Improvement Bond, Net Interest Rate 5.033%, to Vermont Municipal Bond Bank, \$35,000 Principal Payments Due Annually from December 1, 1998 to December 1, 2013 and \$30,000 from December 1, 2014 to December 1, 2017</p>	<p>365,000</p>
<p>Fire Truck Bond, Net Interest at 4.08%, to Vermont Municipal Bond Bank, \$30,000 Principal Payments Due Annually December 1, 1999 to December 1, 2002 and \$25,000 from December 1, 2003 to December 1, 2013</p>	<p>175,000</p>
<p>Retaining Wall Bond, Net Interest at 4.789%, to Vermont Municipal Bond Bank, \$50,000 Principal Payments Due Annually December 1, 1999 to December 1, 2003 and \$45,000 from December 1, 2004 to December 1, 2018</p>	<p>540,000</p>
<p>Library Bond, Various Interest Rates (4.344% - 5.644%), to Vermont Municipal Bond Bank, \$30,000 Principal Due Annually from December 1, 2001 to December 1, 2020</p>	<p>420,000</p>

CITY OF MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2007

Bike Path Lighting Project Bond, Interest at 4.67%, to Vermont Municipal Bond Bank, \$25,000 Principal Due Annually Until December, 2021	\$ 300,000
Montpelier Police Station, Various Interest Rates (4.344% - 5.644%), to Vermont Municipal Bond Bank, \$75,000 Principal Due Annually From December 1, 2001 to December 1, 2020	1,020,000
Public Works Facilities Improvement Bond, Various Interest Rates (6.8% to 7.6%), to Vermont Municipal Bond Bank, \$15,000 Principal Payable Annually to December 1, 2006 and \$10,000 Due December 1, 2007	10,000
Northfield Savings Bank Note, Interest at 3.5%, \$622 Payable Monthly, Due August, 2007, Secured by Vehicle	2,018
Popular Leasing USA, Inc. Interest at 5.05%, Annual Payments of \$25,000 Due from July, 2001 through July, 2007, Secured by Ambulance	20,654
City Hall Improvement Bond, Various Interest Rates (1.87% - 5.09%), to Vermont Municipal Bond Bank, \$45,000 Principal Due Annually from December 1, 2005 To December 1, 2014 and \$40,000 Principal Due from December 1, 2015 to December 1, 2024	760,000
General Motors Acceptance Corporation Lease, Interest at 7.65%, Two Annual Payments of \$10,209, Due July, 2008, Secured by Vehicle	9,484
City Hall/DPW/Turntable Park Improvement Bond, Various Interest Rates (3.835% - 4.665%) to Vermont Municipal Bond Bank, \$45,000 Principal Due Annually from December 1, 2007 to December 1, 2022, \$40,000 Due December 1, 2023 and \$35,000 Due December 1, 2024 to December 1, 2026	865,000
T.D. Banknorth Municipal Lease for Ambulance, Interest at 4.45%, Annual Payments of \$10,423 from January, 2007 to January, 2011	37,437

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Community National Bank Municipal Note, Interest at 4.44%, Annual Payments of \$11,392 from April, 2008 to April, 2012, Secured by Excavator	\$ 50,000
Vermont Economic Development Authority Equipment Note, Assumed Balance of \$48,448 from Montpelier Community Internet Cooperative, Interest Equal to 200 Basis Points Less Than VEDA's Taxable Rate, Monthly Payments Until January 21, 2009	<u>30,700</u>
Total Governmental Activities	<u>\$5,185,293</u>

Business-Type Activities

Water Fund

Water Supply System Improvement Bond, Various Interest Rates (6.8% - 7.6%) to Vermont Municipal Bond Bank, Principal Payable in Annual Installments of \$80,000 Increasing to \$120,000 Until December 1, 2007	\$ 120,000
Water Filtration System Bond Issued July 10, 1991 to Vermont Municipal Bond Bank, Refunded by the Vermont Municipal Bond Bank August 2, 1995, from 1991 Series 1 to 1995 Series 1 and 2, Net Interest Rate of 7.14%, Interest Payable June 1 and December 1, Principal Payable in Various Annual Installments Increasing from \$25,000 to \$195,000 Until December 1, 2021	1,925,000
Vermont Water System Improvement Bond Refinanced July 2004 through Vermont Municipal Bond Bank, Various Interest Rates (1.87% - 5.09%), Interest Payable June 1 and December 1, and Principal Payable in Various Annual Installments Increasing from \$145,000 to \$310,000 Until December 1, 2024	3,860,000
Westside Connector Bond Issued July 2004 through the Vermont Municipal Bond Bank, Interest Rates (1.87% - 5.09%), Interest Payable June 1 and December 1, and Principal Payable in Various Annual Installments Increasing from \$50,000 to \$105,000 Until December 1, 2024	<u>1,300,000</u>
Total Water Fund	<u>7,205,000</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Sewer Fund

Water Pollution Control Facility Bond, Various Interest Rates (6.8% - 7.6%), to Vermont Municipal Bond Bank, Average Annual Principal Payments of \$12,000 Until December 1, 2008	\$ 24,877
Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Average Annual Principal Payments of \$21,500 Until December 1, 2016	220,491
Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Average Annual Principal Payments of \$38,856 Until December 1, 2017	427,411
Sewer System Improvement Bond, Vermont Municipal Bond Bank, Net Interest Rate of 5.676%, Annual Principal Payments of \$30,000 Until December 1, 2016	300,000
Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payment of \$14,156 Until December, 2018	169,874
Ultraviolet Disinfection System Bond Issued July 2004 Through the Vermont Municipal Bond Bank, Various Interest Rates (1.87% - 5.09%), Payable June 1 and December 1 and Principal Payable in Various Annual Installments Increasing from \$55,000 to \$105,000 Until December 1, 2024	1,370,000
Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$35,497 Until June, 2019	461,461
Water Treatment Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$174,171 from October, 2005 to January, 2024	3,135,076
Water Treatment Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$13,255 from January, 2003 to January, 2022	207,106

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$26,294 from January, 2003 to January, 2022	\$ 396,836
Water Treatment Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$34,400 Starting in Fiscal Year 2004 for 20 Years	550,911
Water Treatment Improvement Bond, State of Vermont Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$26,064 Starting in Fiscal Year 2004 for 20 Years	477,694
Water Treatment Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$25,785 Starting in Fiscal Year 2006 for 20 Years	623,268
Local Share CSO Bond, to Vermont Municipal Bond Bank, 4.96% Interest, Annual Principal Payments of \$40,000 Until 2020 then Annual Principal Payments of \$35,000 Until 2030	<u>940,000</u>
Total Sewer Fund	<u>9,305,005</u>
Total Business-Type Activities	<u>\$16,510,005</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 4,555,000	\$ 865,000	\$ 385,000	\$ 5,035,000	\$ 425,000
Capital Leases	52,427	67,553	52,405	67,575	38,895
Notes Payable	9,218	98,448	24,948	82,718	30,217
ACCD Payable	72,440	0	12,435	60,005	15,838
Compensated Absences	258,945	0	52,745	206,200	0
Total Governmental Activities	\$ 4,948,030	\$ 1,031,001	\$ 527,533	\$ 5,451,498	\$ 509,950

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Business-type Activities

General Obligation Bonds	\$ 17,403,531	\$ 41,569	\$ 935,095	\$ 16,510,005	\$ 957,143
Compensated Absences	<u>94,720</u>	<u>0</u>	<u>13,158</u>	<u>81,562</u>	<u>0</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 17,498,251</u>	<u>\$ 41,569</u>	<u>\$ 948,253</u>	<u>16,591,567</u>	<u>\$ 957,143</u>

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2008	455,217	242,812	38,895	957,143	483,021
2009	431,188	219,725	9,147	847,331	460,725
2010	399,982	200,034	9,554	849,799	441,961
2011	375,431	181,477	9,979	864,799	422,283
2012	375,900	163,263	0	992,199	401,128
2013-2017	1,620,000	550,831	0	4,635,069	1,636,388
2018-2022	1,150,000	192,790	0	4,780,585	846,813
2023-2027	310,000	29,915	0	2,408,080	234,913
2028-2032	<u>0</u>	<u>0</u>	<u>0</u>	<u>175,000</u>	<u>23,188</u>
Total	<u>5,117,718</u>	<u>1,780,847</u>	<u>67,575</u>	<u>16,510,005</u>	<u>4,950,420</u>

The City has authorized, but has not issued long-term debt at June 30, 2007 as follows:

<u>Purpose</u>	<u>Authorized</u>	<u>Amount</u>
CSO Separate	March 1999	\$ 163,992
Transportation Center	March 2002	800,000
District Heating	March 2003	250,000
Sabins Pasture	March 2005	<u>188,000</u>
Total		<u>\$ 1,401,992</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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

Beginning Balance	\$ 1,550,000
Proceeds of Tax Anticipation Note – General Fund	1,500,000
Repayment of Tax Anticipation Note – General Fund	(1,500,000)
Repayment of Grant Anticipation Note	<u>(800,000)</u>
Ending Balance	<u>\$ 750,000</u>

The tax anticipation note had an interest rate of 3.68% and was due and paid on June 3, 2007. The grant anticipation note has an interest rate of 2.5% and was paid subsequent to year end with the receipt of funds from Vermont Agency of Transportation.

4I. Reserved and Designated Fund Balances/Net Assets

The reserved and designated fund balances/net assets of the City as of June 30, 2007 consisted of the following:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Governmental Funds</u>			
General Fund:			
Inventories	\$ 66,539	\$ 30,769	\$ 97,308
Prepaid Expenses	0	3,203	3,203
Act 60 Reappraisal - State Statute	45,444	(28,957)	16,487
Records Restoration - State Statute	39,493	7,653	47,146
Armory Note Receivable	317,824	(28,769)	289,055
Park Impact Fees - State Statute	29,574	2,250	31,824
Parks Wetland - Donations	140	0	140
City Hall Plaza -Donations	1,944	(1,085)	859
Drug Seizure - State Statute	100	5,536	5,636
Civil Air Patrol - Donations	3,773	(335)	3,438
Montpelier House Trust	<u>52,312</u>	<u>(52,312)</u>	<u>0</u>
Total General Fund	<u>557,143</u>	<u>(62,047)</u>	<u>495,096</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

	Balance July 1, 2006	Increase (Decrease)	Balance June 30, 2007
Community Development Fund:			
Community Development	481,213	(27,097)	454,116
Community Development - Program Expenditures	17,701	0	17,701
Total Community Development	498,914	(27,097)	471,817
Capital Projects Fund:			
Traffic Impact Fees	2,112	26,333	28,445
Bond Proceeds	0	468,512	468,512
Capital Grants	240,639	(61,719)	178,920
Total Capital Projects Fund	242,751	433,126	675,877
Other Governmental Funds:			
Montpelier Events Fund - Donations	4,880	0	4,880
Montpelier Foundation - Donations	77,914	10,295	88,209
George Blanchard Trust	64,053	1,756	65,809
Non Expendable Cemetery Trust	322,820	7,925	330,745
Hubbard Park Trust	14,620	0	14,620
Expendable Cemetery Trust	286,333	21,541	307,874
Total Other Governmental Funds	770,620	41,517	812,137
Total Reserved Fund Balances - Governmental Funds	\$ 2,069,428	\$ 385,499	\$ 2,454,927

Designated Fund Balances/Net Assets:

Governmental Funds

Major Funds:

General Fund

Designated for Conservation Commission	\$ 1,447
Designated for Fire Revenue Reserve	6,508
Designated for Computer Equipment	4,914
Designated for Tree Board Expenses	10,479
Designated for Equipment Reserve	59,008
Total General Fund	82,356

CITY OF MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2007

Capital Projects Funds

Designated for Capital Projects	<u>\$158,237</u>
Total Capital Projects Funds	<u>158,237</u>

Other Governmental Funds:

Special Revenue Funds

Designated for Montpelier Park Commission	34,821
Designated for Montpelier Events Fund	61,974
Designated for Conservation Fund	46,305
Designated for Montpelier Housing Trust Fund	<u>54,938</u>
Total Special Revenue Funds	<u>198,038</u>
Total Designated Fund Balances	<u>\$438,631</u>

The negative fund balance of \$12,820 in the Green Mountain Cemetery Fund will be funded with future charges for services and transfers from the General Fund.

4J. Restricted Net Assets

The restricted net assets of the City as of June 30, 2007 consisted of the following:

Governmental Activities:

Restricted by State Statute - Impact Fees	\$ 60,269
Restricted by State Statute – Other	69,269
Restricted by Donors	276,446
Restricted by Trust Agreements - Non-Expendable	401,493
Restricted by Trust Agreements - Expendable	317,555
Restricted by Community Development Loan/Grant Agreements	<u>2,841,058</u>
Total Governmental Activities	<u>3,966,090</u>

Business-Type Activities:

Restricted by Impact Fees Statute	<u>41,220</u>
Total Business-Type Activities	<u>41,220</u>
Total Restricted Net Assets	<u>\$4,007,310</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

5. OTHER INFORMATION

5A. BENEFIT PLANS

All eligible employees of the City are covered under the State of Vermont Municipal Employees' Retirement Plan. The Plan requires that both the City and employees contribute to the Plan which provides retirement, disability and death benefits. The City has elected to participate in two (2) plans, Plan B and Plan C, which require all eligible employees to contribute 4.5% and 9%, respectively, of gross wages while the City contributes 5% and 6%, respectively.

The City pays all costs accrued each year for the plan. The premise of Plans B and C are 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 the present value of vested and nonvested plan benefits by municipality are not determinable.

Total payroll for the year was \$5,036,551 while covered payroll was \$4,875,962. Pension expense for the year was \$282,941.

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

5B. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of April 1. Taxes are levied on June 15 and are payable in four installments on August 15, November 15, February 15 and May 15. The City bills and collects its own property taxes and also taxes for the School District, Cemetery and education for the State. City property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate for fiscal year 2006-2007 was as follows:

	<u>Residential</u>	<u>Non Residential</u>
City, Cemetery and Outside Agencies	\$1.11	\$1.11
State Education Tax	1.64	1.74
Water/Sewer Benefit Charge	0.11	0.11
Senior Citizens/Recreation	<u>0.12</u>	<u>0.12</u>
Total	<u>\$2.98</u>	<u>\$3.08</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

5C. RISK MANAGEMENT

The City of Montpelier, Vermont 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 Montpelier, Vermont maintains insurance coverage through the Vermont League of Cities and Town's 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 Montpelier, Vermont. 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 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.

In addition, the City of Montpelier, Vermont is a member of the Vermont League of Cities and Town's Health Trust. The Health Trust is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont municipalities and is owned by the participating members. The agreement does not permit the Health Trust to make additional assessments to its members.

The City of Montpelier, Vermont is also a member of the Vermont League of Cities and Town's 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.

5D. COMMITMENTS

Prior Service Purchase Agreement with VMERS – The City switched pension plans to the Vermont Municipal Employees' Retirement System (VMERS) starting January 1, 2003. Upon the conversion, actuaries determined the amount of funds necessary to catch up the City employees to others within the retirement system. The catch up amount of \$3,349,501 will be paid to VMERS as an additional contribution made yearly, based on a 30 year amortization period, 8% interest and a 5.6% yearly increase. Such payments will be adjusted for any changes in the actuarial assumptions under the plan. During fiscal year 2004, a lump sum payment of \$581,569 was made and the amount of the liability was recalculated to be \$2,815,576 on January 1, 2003. The yearly installment for fiscal year 2007 was \$162,254. The balance as of June 30, 2007 was \$3,159,080.

Parking Lot Leases – The City leases three different parking lots around Montpelier for approximately \$100,000 per year. All are cancelable by the City. The City is responsible for the repair, maintenance and upkeep of the parking lots.

Montpelier Fire District – The City and the Montpelier Fire District have an inter-local agreement that requires the City to pay \$36,000 annually out of the Water Department revenues to the District. These payments entitle the City to integrate the improvements in the City's public water supply system and receive benefit of the improvements. This agreement shall remain in effect for as long as the District has outstanding unpaid bonds issued to finance construction of the improvements.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Green Mountain Community Baseball, Inc.

On April 27, 2005, the City guaranteed a \$160,000 note between Green Mountain Community Baseball, Inc. and Northfield Savings Bank. The note is unsecured and is backed by the full faith and credit of the taxing authority of the City of Montpelier, Vermont by the Guaranty of Indebtedness. The loan will be amortized over ten years with \$16,000 annual principal payments plus interest. The balance on the note at June 30, 2007 was \$82,000.

Operating Leases

In April and May of 2006, the City entered into 60-month leases for two copiers. The leases call for monthly payments of \$567 and \$651. The lease expense for the year ended June 30, 2007 was \$14,616.

The minimum lease payments are as follows:

2008	\$14,616
2009	14,616
2010	14,616
2011	<u>12,831</u>
	<u>\$56,679</u>

5E. SUBSEQUENT EVENTS

Subsequent to year end, the City borrowed \$2,310,000 from the Vermont Municipal Bond Bank. Maturities ranging from \$125,000 to \$115,000 are due from December 1, 2008 through December 1, 2022 with interest rates ranging from 3.865% to 4.555%. The bonds were approved for the purpose of water and sewer projects. Subsequent to year end, the City signed a construction contract for water improvements on Berlin and River Street for \$1,184,511.

Subsequent to year end, the City obtained a tax anticipation note up to \$1,750,000 from TD Banknorth, N.A., with interest at 3.80% and due June 30, 2008. The City obtained a second tax anticipation note up to \$3,500,000 from TD Banknorth, N.A. with interest at 3.74% and due June 30, 2008.

Subsequent to year end, the City leased equipment with a cost of \$461,429, from Honeywell Global Finance, LLC. Rental payments ranging from \$25,600 to \$30,431 are due semi-annually beginning on August 1, 2008 with interest at 4.53%. The purpose of the equipment is provide energy efficiencies and savings in the City's buildings.

CITY OF MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds							Permanent Funds				Total Other Governmental Funds	
	Green Mountain Cemetery Fund	Montpelier Park Commission Fund	Police Grants Fund	Montpelier Events Fund	Justice Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	George Blanchard Trust Fund	Non-expendable Cemetery Trust Fund	Hubbard Park Trust Fund		Expendable Cemetery Trust Fund
ASSETS													
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,305	\$ 12,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,950
Investments	4,482	0	0	0	0	0	76,274	0	65,809	636,493	14,663	0	797,721
Receivables	15,335	14,855	0	0	0	0	0	0	0	0	0	0	30,190
Loans Receivable	0	0	0	0	0	0	0	52,000	0	0	0	0	52,000
Due From Other Funds	0	23,345	33,308	66,854	19,132	0	0	54,938	0	0	0	307,874	505,451
TOTAL ASSETS	\$ 19,817	\$ 38,200	\$ 33,308	\$ 66,854	\$ 19,132	\$ 46,305	\$ 88,919	\$ 106,938	\$ 65,809	\$ 636,493	\$ 14,663	\$ 307,874	\$ 1,444,312
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts Payable	\$ 5,833	\$ 2,640	\$ 1,760	\$ 0	\$ 48	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43	\$ 0	\$ 10,324
Accrued Payroll	1,398	739	0	0	6,737	0	0	0	0	0	0	0	8,874
Due to Other Funds	25,406	0	0	0	0	0	710	0	0	305,748	0	0	331,864
Deferred Revenue	0	0	31,548	0	12,347	0	0	52,000	0	0	0	0	95,895
Total Liabilities	32,637	3,379	33,308	0	19,132	0	710	52,000	0	305,748	43	0	446,957
Fund Balances/(Deficit):													
Reserved	0	0	0	4,880	0	0	88,209	0	65,809	330,745	14,620	307,874	812,137
Unreserved	(12,820)	34,821	0	61,974	0	46,305	0	54,938	0	0	0	0	185,218
Total Fund Balances/(Deficit)	(12,820)	34,821	0	66,854	0	46,305	88,209	54,938	65,809	330,745	14,620	307,874	997,355
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,817	\$ 38,200	\$ 33,308	\$ 66,854	\$ 19,132	\$ 46,305	\$ 88,919	\$ 106,938	\$ 65,809	\$ 636,493	\$ 14,663	\$ 307,874	\$ 1,444,312

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

CITY OF MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds							Permanent Funds				Total Other Governmental Funds	
	Green Mountain Cemetery Fund	Montpelier Park Commission Fund	Police Grants Fund	Montpelier Events Fund	Justice Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	George Blanchard Trust Fund	Non-expendable Cemetery Trust Fund	Hubbard Park Trust Fund		Expendable Cemetery Trust Fund
Revenues:													
Intergovernmental	\$ 0	\$ 24,965	\$ 9,081	\$ 50,300	\$ 150,623	\$ 51,478	\$ 0	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 286,447
Fees and Charges for Services	38,332	469	0	0	0	0	0	0	0	0	0	0	38,801
Investment Income	1,648	271	0	0	0	2,028	10,299	2,626	1,756	49,541	296	0	68,465
Contributions	0	613	0	0	0	0	0	0	0	0	0	0	613
Rents and Commissions	0	3,240	0	0	0	0	0	0	0	0	0	0	3,240
Other Revenues	0	167	0	125	2,210	0	0	0	0	0	0	0	2,502
Total Revenues	39,980	29,725	9,081	50,425	152,833	53,506	10,299	2,626	1,756	49,541	296	0	400,068
Expenditures:													
Culture and Recreation	0	117,149	0	11,819	0	52,400	4	0	0	0	0	0	181,372
Cemetery Expenses	179,166	0	0	0	0	0	0	0	0	0	0	0	179,166
Public Safety	0	0	9,081	0	161,833	0	0	0	0	0	0	0	170,914
Community Development	0	0	0	0	0	0	0	52,000	0	0	0	0	52,000
Capital Outlay	57,509	8,500	0	0	0	0	0	0	0	0	0	0	66,009
Debt Service - Interest	1,075	0	0	0	0	0	0	0	0	0	0	0	1,075
Debt Service - Principal	7,200	0	0	0	0	0	0	0	0	0	0	0	7,200
Total Expenditures	244,950	125,649	9,081	11,819	161,833	52,400	4	52,000	0	0	0	0	657,736
Excess/(Deficiency) of Revenues Over Expenditures	(204,970)	(95,924)	0	38,606	(9,000)	1,106	10,295	(49,374)	1,756	49,541	296	0	(257,668)
Other Financing Sources/(Uses):													
Bond Proceeds	50,000	0	0	0	0	0	0	0	0	0	0	0	50,000
Transfers In	146,429	96,437	0	11,000	9,000	0	0	104,312	0	7,925	0	49,541	424,644
Transfers Out	(7,925)	(300)	0	0	0	0	0	0	0	(49,541)	(296)	(28,000)	(86,062)
Total Other Financing Sources/(Uses)	188,504	96,137	0	11,000	9,000	0	0	104,312	0	(41,616)	(296)	21,541	388,582
Net Change in Fund Balance	(16,466)	213	0	49,606	0	1,106	10,295	54,938	1,756	7,925	0	21,541	130,914
Fund Balances - July 1, 2006	3,646	34,608	0	17,248	0	45,199	77,914	0	64,053	322,820	14,620	286,333	866,441
Fund Balances/(Deficit) - June 30, 2007	\$ (12,820)	\$ 34,821	\$ 0	\$ 66,854	\$ 0	\$ 46,305	\$ 88,209	\$ 54,938	\$ 65,809	\$ 330,745	\$ 14,620	\$ 307,874	\$ 997,355

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