

CITY OF MONTPELIER, VERMONT

AUDIT REPORT

JUNE 30, 2008

CITY OF MONTPELIER, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2008

	<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
Fiduciary Funds:	
Statement of Fiduciary Net Assets	Exhibit J 21

CITY OF MONTPELIER, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2008

	<u>Page #</u>
Notes to the Financial Statements	22-53
Financial Statements of Individual Funds:	
Combining Balance Sheet - Other Governmental Funds	Schedule 1 54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds	Schedule 2 55

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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, 2008, 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.

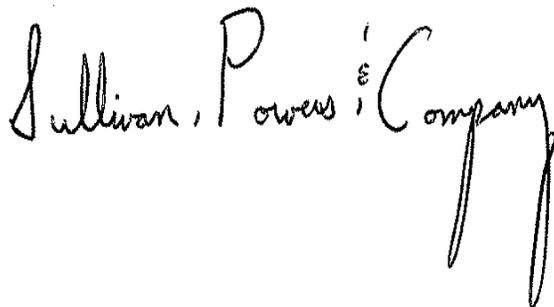
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, 2008 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.

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.

February 18, 2009
Montpelier, Vermont
Vt Lic. #92-000180

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

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008. 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 \$1,077,771 as a result of this year's operations. Net assets of the business-type activities increased by \$25,171, or .1 percent, net assets of the governmental activities increased by \$1,052,600, or 8 percent.
- The cost of all of the City's programs was \$15,032,742 in fiscal year 2008 compared to \$14,171,733 in fiscal year 2007, which is approximately a 6% increase.

Fund Statements

- During fiscal year 2008, the General Fund reported a net increase in the fund balance of \$43,523.
- The unreserved fund balance for the General Fund was \$853,458 and the reserved fund balances of the General Fund total \$492,585 as of June 30, 2008. The reserved balances are reserved for special projects or are not available for current expenditures. \$184,236 of the \$853,458 unreserved fund balance is designated for future capital purchases and special programs which leaves \$669,222 unrestricted and undesignated.
- The Community Development Fund ended the year with a reserved fund balance of \$347,885, which was \$123,932 lower than the prior year fund balance of \$471,817. This fund balance is reserved by various sources for Community Development.
- The Capital Projects Fund ended the year with a fund balance of \$767,059, which was \$67,055 lower than the prior year fund balance of \$834,114. The reserved fund balance of \$607,487 is reserved by various sources for Capital Projects.
- Other nonmajor governmental funds ended the year with a fund balance of \$1,030,217, which was \$32,862 higher than the prior year fund balance of \$997,355. \$825,698 of this fund balance is reserved by various sources for various purposes.
- The Water Fund ended the year with net assets of \$9,407,718, which was \$39,253 lower than the prior year balance of \$9,446,971. Of the total net asset balance, \$9,689,211 is invested in property and equipment. This leaves an unrestricted deficit of \$281,493 to be recovered in future periods.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

- The Sewer Fund ended the year with net assets of \$10,326,843, which was \$45,431 higher than the prior year balance of \$10,281,412. Of the total net asset balance, \$10,456,255 is invested in property and equipment. This leaves an unrestricted deficit of \$129,412 to be recovered in future periods.
- The Parking Fund ended the year with net assets of \$346,964, which was \$18,993 higher than the prior year balance of \$327,971. Of the total net asset balance, \$334,504 is invested in property and equipment and \$41,220 is restricted for various projects. This leaves a deficit of \$28,760 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. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

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, 2008

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, 2008

The City as a Whole

The City's combined net assets increased by \$1,077,771 from a year ago – increasing from \$33,193,036 to 34,270,807. 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 2008	Business-type Activities 2008	Total Primary Government 2008	Governmental Activities 2007	Business-type Activities 2007	Total Primary Government 2007
Current and other assets	\$ 6,940,760	\$ 871,992	\$ 7,812,752	\$ 7,474,720	\$ 123,337	\$ 7,598,057
Capital assets	12,848,536	37,638,243	50,486,779	12,460,699	36,644,794	49,105,493
Total assets	<u>19,789,296</u>	<u>38,510,235</u>	<u>58,299,531</u>	<u>19,935,419</u>	<u>36,768,131</u>	<u>56,703,550</u>
Long term liabilities	5,252,257	18,120,592	23,372,849	5,451,498	16,591,567	22,043,065
Other liabilities	347,757	308,118	655,875	1,347,239	120,210	1,467,449
Total liabilities	<u>5,600,014</u>	<u>18,428,710</u>	<u>24,028,724</u>	<u>6,798,737</u>	<u>16,711,777</u>	<u>23,510,514</u>
Net assets:						
Invested in capital assets,						
net of debt	8,823,373	20,479,970	29,303,343	8,163,918	20,398,305	28,562,223
Restricted	4,253,680	41,220	4,294,900	3,966,090	41,220	4,007,310
Unrestricted	1,112,229	(439,665)	672,564	1,006,674	(383,171)	623,503
Total net assets	<u>\$ 14,189,282</u>	<u>\$ 20,081,525</u>	<u>\$ 34,270,807</u>	<u>\$ 13,136,682</u>	<u>\$ 20,056,354</u>	<u>\$ 33,193,036</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 8% (\$14,189,282 compared to \$13,136,682). The net assets of our business-type activities did not change significantly (\$20,081,525 compared to \$20,056,354) in fiscal year 2008.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Table 2
Change in Net Assets

	Governmental Activities 2008	Business-type Activities 2008	Total Primary Government 2008	Governmental Activities 2007	Business-type Activities 2007	Total Primary Government 2007
REVENUES						
Program revenues:						
Charges for services	\$ 1,763,029	\$ 5,797,540	\$ 7,560,569	\$ 1,688,046	\$ 5,860,562	\$ 7,548,608
Operating grants and Contributions	1,047,971	0	1,047,971	771,969	0	771,969
Capital Grants and Contributions	224,596	12,349	236,945	1,425,176	22,183	1,447,359
General Revenues:						
Property Taxes, Penalties and Interest	6,595,127	0	6,595,127	6,471,318	0	6,471,318
Payment in Lieu of Taxes	184,000	0	184,000	184,000	0	184,000
Unrestricted Investment Earnings	316,236	15,440	331,676	144,530	10,315	154,845
Gain on Sale of Capital Assets	17,258	0	17,258	0	0	0
Other Revenues	108,100	9,997	118,097	77,648	14,775	92,423
Contributions to Permanent Endowments	18,870	0	18,870	0	0	0
Total Revenues	10,275,187	5,835,326	16,110,513	10,762,687	5,907,835	16,670,522
PROGRAM EXPENSES						
General government	2,074,469	0	2,074,469	1,938,114	0	1,938,114
Public Safety	3,613,370	0	3,613,370	3,571,410	0	3,571,410
Highways and Streets	2,356,563	0	2,356,563	1,973,269	0	1,973,269
Culture and Recreation	549,852	0	549,852	555,980	0	555,980
Community Development	37,902	0	37,902	21,979	0	21,979
Cemetery	182,944	0	182,944	190,774	0	190,774
Interest on Long-Term Debt	431,087	0	431,087	310,527	0	310,527
Water	0	2,209,827	2,209,827	0	2,136,784	2,136,784
Sewer	0	3,000,649	3,000,649	0	2,960,436	2,960,436
Parking	0	576,079	576,079	0	512,460	512,460
Total Program Expenses	9,246,187	5,786,555	15,032,742	8,562,053	5,609,680	14,171,733
Excess Before Special Item and Transfers	1,029,000	48,771	1,077,771	2,200,634	298,155	2,498,789
Transfers	23,600	(23,600)	0	9,700	(9,700)	0
Increase in Net Assets	\$ 1,052,600	\$ 25,171	\$ 1,077,771	\$ 2,210,334	\$ 288,455	\$ 2,498,789

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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

Governmental Activities

The City's tax rate increased to \$1.1459 from \$1.1706 per \$100 of assessed value from fiscal year 2007 to fiscal year 2008.

Table 3 presents the cost of each of the City's seven largest programs – general, public safety, highway 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 of Services	Net Revenues	Total Cost of Services	Net Revenues	Total Cost of Services	Net Revenues	Total Cost of Services	Net Revenues
		(Cost)		(Cost)		(Cost)		(Cost)
	2008	2008	2008	2008	2007	2007	2007	2007
General Government	\$ 2,074,469	\$ (826,355)	\$ 0	\$ 0	\$ 1,938,114	\$ (858,788)	\$ 0	\$ 0
Public Safety	3,613,370	(2,937,029)	0	0	3,571,410	(2,843,502)	0	0
Highways and Streets	2,356,563	(1,878,338)	0	0	1,973,269	(306,337)	0	0
Culture and Recreation	549,852	(431,590)	0	0	555,980	(288,048)	0	0
Water	0	0	2,209,827	(64,277)	0	0	2,136,784	57,017
Sewer	0	0	3,000,649	44,718	0	0	2,960,436	102,762
Parking	0	0	576,079	42,893	0	0	512,460	113,286
All others	651,933	(137,279)	0	0	523,280	(380,187)	0	0
Totals	\$ 9,246,187	\$ (6,210,591)	\$ 5,786,555	\$ 23,334	\$ 8,562,053	\$ (4,676,862)	\$ 5,609,680	\$ 273,065

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 \$3,491,204, which is below last year's total of \$3,605,806. Included in this year's total change in fund balance is an increase of \$43,523 in the City's General Fund; a decrease of \$123,932 in the Community Development Fund; and a decrease of \$34,193 in Other Governmental Funds.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

General Fund Budgetary Highlights

Revenues exceeded the budget by \$758,505. A significant part of the unbudgeted revenue is \$281,472 lease proceeds from an facilities energy improvements project and \$258,721 in unanticipated interest income. Much of the additional interest income is be offset by unbudgeted tax anticipation interest expenditures. Other notable revenues exceeding budget are state grants \$27,080 and building permit fees \$16,426.

Expenditure exceeded the budget by \$714,982. A significant part of the unbudgeted expenditures are \$225,211 of winter storm related costs which includes overages in salt/sand, rentals of equipment, and fleet fuel costs. Other notable expenditure exceeding budget are \$284,473 in Capital Outlay-energy improvements, \$33,167 vehicle/equipment maintenance, \$31,148 heating fuel and \$37,494 legal services. Expenditures that are lower than budget are Police and Department of Public Works –Streets wages but these savings are offset by overages in overtime wages.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the City had \$50,486,779 compared to \$49,105,493 at June 30, 2007 invested in a broad range of capital assets, including police and fire equipment, energy improvements to 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 \$1,381,286, over last year.

Table 4

Capital Assets at Year-End

(Net of Depreciation)

	Governmental Activities 2008	Business-type Activities 2008	Totals	Governmental Activities 2007	Business-type Activities 2007	Totals
Land	\$ 594,650	\$ 250,672	\$ 845,322	\$ 586,334	\$ 250,672	\$ 837,006
Capital Improvements and Equipment	11,568,276	34,481,514	46,049,790	11,369,296	35,141,187	46,510,483
Construction in Progress	685,610	2,906,057	3,591,667	505,069	1,252,935	1,758,004
Totals	\$ 12,848,536	\$ 37,638,243	\$ 50,486,779	\$ 12,460,699	\$ 36,644,794	\$ 49,105,493

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

This year's major additions included:

Equipment and vehicles	\$ 249,456
Facility improvements-Energy	470,124
Infrastructure – Water/Sewer	1,275,877
Infrastructure - Roads etc.	455,587
River Gauges	30,000
Parking meters	26,970
Telephone Equipment	40,817
Computer Equipment	<u>29,926</u>
	<u>\$2,578,757</u>

The City's fiscal year 2009 governmental capital budget calls for it to spend \$1,000,000 for general governmental capital projects and debt, which is the same amount as the previous year. Debt service is approximately 60% of the capital budget.

Long Term - Debt

At June 30, 2008, the City had \$23,024,145 in bonds, capital leases and notes outstanding versus \$21,695,298 on June 30, 2007 – an increase of \$1,328,847 (7%) – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Balance June 30, 2007	Additions	Payments	Balance June 30, 2008
Notes, Capital Leases and Bond Payable				
Governmental Activities	\$ 5,185,293	\$ 301,767	\$ 505,574	\$ 4,981,486
Proprietary Funds	<u>16,510,005</u>	<u>2,489,957</u>	<u>957,303</u>	<u>18,042,659</u>
Totals	<u>\$ 21,695,298</u>	<u>\$ 2,791,724</u>	<u>\$ 1,462,877</u>	<u>\$ 23,024,145</u>

New debt resulted from water line improvements in the Water Fund and screw pump replacement in the Sewer Fund.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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 2009 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% (July 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). Another economic factor is the Montpelier resident average household income which increased 4.7% in 2007. When adopting the budget for fiscal year 2009, 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 2.4% for July, 2007. The tax rate is \$1.22 per assessed value for fiscal year 2009 which is an increase of 7.4 cents (6%). Of this 7.4 cent increase, 4 cents is necessary to fund the municipal budget. There is an increase of 4.7 cents in ballot items for outside agencies which were approved by the voters.

Looking ahead, the City is partnering with federal and state agencies to study 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 2010.

As for the City's business-type activities, utility rates increased 5% on July 1, 2008. 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: \$7.29 per 1,000 for the first 50,000 gallons, \$7.74 per 1,000 for the next 200,000 gallons, \$12.55 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 \$20.50.

Current quarterly sewer rates are as follows: \$8.22 per 1,000 gallons of water used and a fixed charge for all for meter reading, billing and other administrative service costs of \$26.00.

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, 2008

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 1,600,823	\$ 50	\$ 1,600,873
Investments	811,041	0	811,041
Receivables (Net of Allowance for Uncollectibles)	404,689	1,183,212	1,587,901
Due From Other Governments	4,685	0	4,685
Loans Receivable	2,976,836	0	2,976,836
Notes Receivable	261,753	382,935	644,688
Deposits	0	1,600	1,600
Prepaid Expenses	2,030	14,835	16,865
Inventories	104,838	63,005	167,843
Due From Fire District	420	0	420
Internal Balances	773,645	(773,645)	0
Capital Assets			
Land	594,650	250,672	845,322
Construction in Progress	685,610	2,906,057	3,591,667
Other Capital Assets, (Net of Accumulated Depreciation)	11,568,276	34,481,514	46,049,790
Total Assets	19,789,296	38,510,235	58,299,531
<u>LIABILITIES</u>			
Accounts Payable	103,986	258,364	362,350
Accrued Payroll and Related Expenses	136,217	813	137,030
Due to Montpelier Downtown Association	20,790	0	20,790
Due to Agency Fund	16,441	0	16,441
Deferred Revenue	49,885	4,114	53,999
Accrued Interest	20,438	44,827	65,265
Noncurrent Liabilities:			
Due within One Year	478,978	981,108	1,460,086
Due in More than One Year	4,773,279	17,139,484	21,912,763
Total Liabilities	5,600,014	18,428,710	24,028,724
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	8,823,373	20,479,970	29,303,343
Restricted	4,253,680	41,220	4,294,900
Unrestricted	1,112,229	(439,665)	672,564
Total Net Assets	\$ 14,189,282	\$ 20,081,525	\$ 34,270,807

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	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	\$ 2,074,469	\$ 1,167,270	\$ 65,844	\$ 15,000	\$ (826,355)	\$ 0	\$ (826,355)
Public Safety	3,613,370	418,607	257,734	0	(2,937,029)	0	(2,937,029)
Public Works	2,356,563	114,822	205,015	158,388	(1,878,338)	0	(1,878,338)
Culture and Recreation	549,852	8,989	58,065	51,208	(431,590)	0	(431,590)
Community Development	37,902	0	461,293	0	423,391	0	423,391
Cemetery	182,944	53,341	20	0	(129,583)	0	(129,583)
Interest on Long-Term Debt	431,087	0	0	0	(431,087)	0	(431,087)
Total Governmental Activities	9,246,187	1,763,029	1,047,971	224,596	(6,210,591)	0	(6,210,591)
Business-Type Activities:							
Water	2,209,827	2,145,550	0	0	0	(64,277)	(64,277)
Sewer	3,000,649	3,033,018	0	12,349	0	44,718	44,718
Parking	576,079	618,972	0	0	0	42,893	42,893
Total Business-Type Activities	5,786,555	5,797,540	0	12,349	0	23,334	23,334
Total	\$ 15,032,742	\$ 7,560,569	\$ 1,047,971	\$ 236,945	(6,210,591)	23,334	(6,187,257)
General Revenues:							
Property Taxes, Penalties and Interest					6,595,127	0	6,595,127
Payment in Lieu of Taxes					184,000	0	184,000
Unrestricted Investment Earnings					316,236	15,440	331,676
Gain on Sale of Capital Assets					17,258	0	17,258
Other Revenues					108,100	9,997	118,097
Contributions to Permanent Endowments					18,870	0	18,870
Transfers					23,600	(23,600)	0
Total General Revenues and Transfers					7,263,191	1,837	7,265,028
Change in Net Assets					1,052,600	25,171	1,077,771
Net Assets - July 1, 2007					13,136,682	20,056,354	33,193,036
Net Assets - June 30, 2008					<u>\$ 14,189,282</u>	<u>\$ 20,081,525</u>	<u>\$ 34,270,807</u>

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

CITY OF MONTPELIER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,201,752	\$ 326,413	\$ 72,658	\$ 1,600,823
Investments	0	0	811,041	811,041
Receivables (Net of Allowance for Uncollectibles)	296,555	22,494	85,640	404,689
Due from Other Governments	4,685	0	0	4,685
Loans Receivable	0	2,872,836	104,000	2,976,836
Note Receivable	261,753	0	0	261,753
Prepaid Expenses	2,030	0	0	2,030
Inventories	104,838	0	0	104,838
Due from Fire District	420	0	0	420
Due from Other Funds	0	4,953	1,283,753	1,288,706
 Total Assets	 \$ 1,872,033	 \$ 3,226,696	 \$ 2,357,092	 \$ 7,455,821
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	\$ 59,265	\$ 5,852	\$ 38,869	\$ 103,986
Accrued Payroll and Related Expenses	129,136	0	7,081	136,217
Due to Montpelier Downtown Association	20,790	0	0	20,790
Deferred Revenue	93,179	2,872,959	205,984	3,172,122
Due to Other Funds	223,620	0	307,882	531,502
 Total Liabilities	 525,990	 2,878,811	 559,816	 3,964,617
Fund Balances:				
Reserved for				
Inventories and Prepaid Expenses	106,868	0	0	106,868
Trustees of Public Funds	0	0	729,653	729,653
Other Purposes	385,717	347,885	703,532	1,437,134
Unreserved, Reported In				
General Fund	853,458	0	0	853,458
Special Revenue Funds	0	0	204,519	204,519
Capital Projects Funds	0	0	159,572	159,572
 Total Fund Balances	 1,346,043	 347,885	 1,797,276	 3,491,204
 Total Liabilities and Fund Balances	 \$ 1,872,033	 \$ 3,226,696	 \$ 2,357,092	
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.				12,848,536
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				3,122,237
Long-Term and Accrued Liabilities, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.				(5,272,695)
Net Assets of Governmental Activities				\$ 14,189,282

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, 2008

	General Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes, Penalties and Interest	\$ 6,614,333	\$ 0	\$ 0	\$ 6,614,333
Permits and Licenses	102,311	0	0	102,311
Intergovernmental	561,781	423,470	381,520	1,366,771
Fees and Charges for Services	1,467,511	0	55,395	1,522,906
Fines and Forfeitures	34,854	0	0	34,854
Investment Income	298,086	14,228	24,238	336,552
Contributions	274	0	7,485	7,759
Rents and Commissions	100	0	3,239	3,339
Equipment Revenues	98,173	0	0	98,173
Loan Principal Repayments	0	48,883	0	48,883
Other Revenues	95,937	0	12,163	108,100
Total Revenues	9,273,360	486,581	484,040	10,243,981
Expenditures:				
General Government	1,928,452	0	28,342	1,956,794
Public Safety	3,262,154	0	169,498	3,431,652
Public Works	2,001,416	0	21,040	2,022,456
Culture and Recreation	377,715	0	168,125	545,840
Community Development	0	580,513	52,000	632,513
Cemetery	0	0	171,337	171,337
Capital Outlay				
General Government	345,096	0	5,694	350,790
Public Safety	33,648	0	0	33,648
Public Works	76,788	0	523,068	599,856
Debt Service - Principal	494,421	0	11,153	505,574
Debt Service - Interest	401,072	0	32,418	433,490
Total Expenditures	8,920,762	580,513	1,182,675	10,683,950
Excess/(Deficiency) of Revenues Over Expenditures	352,598	(93,932)	(698,635)	(439,969)
Other Financing Sources/(Uses):				
Debt Proceeds	301,767	0	0	301,767
Transfers from Other Funds	43,900	0	710,859	754,759
Transfers to Other Funds	(654,742)	(30,000)	(46,417)	(731,159)
Total Financing Sources/(Uses)	(309,075)	(30,000)	664,442	325,367
Net Change in Fund Balances	43,523	(123,932)	(34,193)	(114,602)
Fund Balances - July 1, 2007	1,302,520	471,817	1,831,469	3,605,806
Fund Balances - June 30, 2008	\$ 1,346,043	\$ 347,885	\$ 1,797,276	\$ 3,491,204

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, 2008

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)	\$ (114,602)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$1,014,073) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$628,715). This is the amount by which capital outlays exceeded depreciation in the current period.	385,358
Noncash capital contributions are revenues that do not provide current financial resources and therefore are not reported as revenues in the funds.	15,000
The net effect of various transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(12,521)
Revenues reported in the funds from prior year deferred revenues are not reported as revenues in the statement of activities.	(68,089)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	67,037
The issuance of long-term debt (\$301,767) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$505,574) 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.	203,807
Some expenses (\$20,404) 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 (\$597,014) 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>576,610</u>
Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ 1,052,600</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, 2008

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Property Taxes, Penalties and Interest	\$ 6,025,291	\$ 6,048,276	\$ 22,985
Intergovernmental	485,781	541,781	56,000
Fees and Charges for Services	1,589,793	2,269,313	679,520
Fund Transfers	<u>739,362</u>	<u>739,362</u>	<u>0</u>
 Total Revenue	 <u>8,840,227</u>	 <u>9,598,732</u>	 <u>758,505</u>
Expenditures:			
City Council Operations	25,799	30,409	(4,610)
City Manager's Office	277,015	319,547	(42,532)
Clerk/Treasurer/Elections	270,906	255,556	15,350
Finance Department	272,539	269,145	3,394
Technology Services	151,380	145,478	5,902
Property Assessment	102,964	107,212	(4,248)
Planning and Development	343,626	340,096	3,530
City Hall Maintenance	183,519	204,931	(21,412)
Police:			
General	1,319,511	1,303,015	16,496
Communications	418,177	410,334	7,843
Outside Pay	0	2,664	(2,664)
Drug Seizure	0	9,665	(9,665)
School Resource Officer	76,881	74,242	2,639
Fire and Ambulance	1,512,064	1,546,003	(33,939)
Code Enforcement	73,449	72,133	1,316
Emergency Management	6,000	21,220	(15,220)
Public Works:			
Streets	1,241,829	1,383,255	(141,426)
Fleet Operations	496,742	559,554	(62,812)
Building Operations	66,670	68,982	(2,312)
Wrightsville Beach	3,616	4,006	(390)
Kellogg-Hubbard Library	230,482	230,482	0
Outside Agencies in Budget	86,175	86,175	0
Ballot Items	52,000	52,000	0
Community Enhancements	49,000	47,000	2,000
Tree Management and Board	19,723	24,092	(4,369)
Tree Board	2,000	274	1,726
Conservation Commission	4,000	5,686	(1,686)
Debt Service	645,490	802,920	(157,430)
Other Governmental Service	124,347	125,990	(1,643)
Equipment Plan	201,581	435,717	(234,136)
Tax Abatements	0	5,453	(5,453)
Reappraisal Expenses	0	15,079	(15,079)
Miscellaneous Expense	0	14,152	(14,152)
Transfer to Other Funds:			
Capital Projects	354,509	354,509	0
Cemetery	126,802	126,802	0
Parks	<u>101,431</u>	<u>101,431</u>	<u>0</u>
 Total Expenditures	 <u>8,840,227</u>	 <u>9,555,209</u>	 <u>(714,982)</u>
 Excess of Revenue Over Expenditures	 <u>\$ 0</u>	 43,523	 <u>\$ 43,523</u>
 Fund Balance - July 1, 2007		 <u>1,302,520</u>	
Fund Balance - June 30, 2008		 <u>\$ 1,346,043</u>	

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Current Assets:				
Cash	\$ 0	\$ 0	\$ 50	\$ 50
Receivables	613,022	570,040	150	1,183,212
Due from Other Funds	0	0	39,274	39,274
Deposits	0	0	1,600	1,600
Prepaid Expenses	0	100	14,735	14,835
Inventory	58,543	4,462	0	63,005
Total Current Assets	671,565	574,602	55,809	1,301,976
Noncurrent Assets:				
Note Receivable	382,935	0	0	382,935
Capital Assets				
Land	32,000	0	218,672	250,672
Construction in Progress	1,252,532	1,653,525	0	2,906,057
Buildings	11,557,678	9,709,565	0	21,267,243
Improvements	8,588,664	18,478,197	226,440	27,293,301
Equipment and Vehicles	687,960	675,168	108,445	1,471,573
Accumulated Depreciation	(4,325,949)	(11,005,602)	(219,052)	(15,550,603)
Total Noncurrent Assets	18,175,820	19,510,853	334,505	38,021,178
Total Assets	\$ 18,847,385	\$ 20,085,455	\$ 390,314	\$ 39,323,154
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 130,301	\$ 96,881	\$ 31,182	\$ 258,364
Due to Other Funds	439,784	373,135	0	812,919
Accrued Payroll and Related Expenses	813	0	0	813
Deferred Revenue	4,114	0	0	4,114
Accrued Interest Payable	33,724	11,103	0	44,827
Capital Leases - Current Portion	2,250	6,527	0	8,777
Bonds Payable - Current Portion	395,519	576,812	0	972,331
Total Current Liabilities	1,006,505	1,064,458	31,182	2,102,145
Noncurrent Liabilities:				
Capital Leases - Long-Term Portion	43,893	127,287	0	171,180
Bonds Payable - Long-Term Portion	8,359,481	8,530,890	0	16,890,371
Accrued Compensated Absences	29,788	35,977	12,168	77,933
Total Noncurrent Liabilities	8,433,162	8,694,154	12,168	17,139,484
Total Liabilities	9,439,667	9,758,612	43,350	19,241,629
NET ASSETS				
Invested in Property and Equipment	9,689,211	10,456,255	334,504	20,479,970
Restricted	0	0	41,220	41,220
Unrestricted	(281,493)	(129,412)	(28,760)	(439,665)
Total Net Assets	9,407,718	10,326,843	346,964	20,081,525
Total Liabilities and Net Assets	\$ 18,847,385	\$ 20,085,455	\$ 390,314	\$ 39,323,154

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, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for Services	\$ 2,123,831	\$ 3,009,718	\$ 618,972	\$ 5,752,521
Interest and Penalties	21,719	23,300	0	45,019
Miscellaneous	9,284	713	0	9,997
	<u>2,154,834</u>	<u>3,033,731</u>	<u>618,972</u>	<u>5,807,537</u>
OPERATING EXPENSES:				
Administration	464,301	364,059	0	828,360
Supplies and Treatment	459,717	1,517,965	0	1,977,682
Wastewater Management	0	93,222	0	93,222
Distribution System	347,648	0	0	347,648
Collection System	0	362,714	0	362,714
Delinquent Collection	17,336	17,231	0	34,567
Meter Operations	49,339	0	0	49,339
Private Sewer System Maintenance	0	5,991	0	5,991
Parking Enforcement	0	0	354,345	354,345
Parking Lot Leases	0	0	101,130	101,130
Parking Lot Maintenance	0	0	102,739	102,739
Depreciation Expense	447,412	504,403	17,865	969,680
	<u>1,785,753</u>	<u>2,865,585</u>	<u>576,079</u>	<u>5,227,417</u>
Net Operating Income	<u>369,081</u>	<u>168,146</u>	<u>42,893</u>	<u>580,120</u>
NONOPERATING REVENUES/(EXPENSES):				
Interest Earnings	15,440	0	0	15,440
Interest Expense	(424,074)	(135,064)	0	(559,138)
Capital Grants	0	12,349	0	12,349
Transfers from Other Funds	300	0	0	300
Transfers to Other Funds	0	0	(23,900)	(23,900)
	<u>(408,334)</u>	<u>(122,715)</u>	<u>(23,900)</u>	<u>(554,949)</u>
Change in Net Assets	(39,253)	45,431	18,993	25,171
Net Assets - July 1, 2007	<u>9,446,971</u>	<u>10,281,412</u>	<u>327,971</u>	<u>20,056,354</u>
Net Assets - June 30, 2008	<u>\$ 9,407,718</u>	<u>\$ 10,326,843</u>	<u>\$ 346,964</u>	<u>\$ 20,081,525</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, 2008

	<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	\$ 2,205,765	\$ 3,023,212	\$ 617,792	\$ 5,846,769
Receipts from Interfund Services	0	0	23,868	23,868
Payments to Suppliers	(261,741)	(940,805)	(169,066)	(1,371,612)
Payments for Interfund Services	(351,477)	(556,387)	(62,165)	(970,029)
Payments for Wages and Benefits	<u>(608,039)</u>	<u>(802,465)</u>	<u>(320,769)</u>	<u>(1,731,273)</u>
Net Cash Provided by Operating Activities	<u>984,508</u>	<u>723,555</u>	<u>89,660</u>	<u>1,797,723</u>
Cash Flows from Noncapital Financing Activities:				
Decrease/(Increase) in Due From Other Funds	0	0	(38,790)	(38,790)
(Decrease)/Increase in Due To Other Funds	(840,863)	67,355	0	(773,508)
Transfers Received From Other Funds	300	0	0	300
Transfers Paid to Other Funds	<u>0</u>	<u>0</u>	<u>(23,900)</u>	<u>(23,900)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(840,563)</u>	<u>67,355</u>	<u>(62,690)</u>	<u>(835,898)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(1,331,454)	(604,705)	(26,970)	(1,963,129)
Receipts from Capital Grants	0	12,349	0	12,349
Proceeds from General Obligation Bonds	1,950,000	360,000	0	2,310,000
Proceeds from Lease Payable	46,143	133,814	0	179,957
Principal Payments on General Obligation Bonds	(400,000)	(557,304)	0	(957,304)
Interest Payments on General Obligation Bonds	<u>(424,074)</u>	<u>(135,064)</u>	<u>0</u>	<u>(559,138)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(159,385)</u>	<u>(790,910)</u>	<u>(26,970)</u>	<u>(977,265)</u>
Cash Flows from Investing Activities:				
Receipt of Investment Income	<u>15,440</u>	<u>0</u>	<u>0</u>	<u>15,440</u>
Net Cash Provided by Investing Activities	<u>15,440</u>	<u>0</u>	<u>0</u>	<u>15,440</u>
Net Increase in Cash	0	0	0	0
Cash - July 1, 2007	<u>0</u>	<u>0</u>	<u>50</u>	<u>50</u>
Cash - June 30, 2008	<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	\$ 369,081	\$ 168,146	\$ 42,893	\$ 580,120
Depreciation Expense	447,412	504,403	17,865	969,680
Decrease/(Increase) in Accounts Receivable	52,645	(10,265)	600	42,980
Decrease/(Increase) in Prepaid Expenses	0	(100)	22,088	21,988
Decrease/(Increase) in Inventory	(1,170)	(154)	0	(1,324)
(Decrease)/Increase in Accounts Payable	120,691	63,269	4,729	188,689
(Decrease)/Increase in Accrued Payroll	288	(525)	0	(237)
(Decrease)/Increase in Deferred Revenue	(544)	0	0	(544)
(Decrease)/Increase in Accrued Vacation	<u>(3,895)</u>	<u>(1,219)</u>	<u>1,485</u>	<u>(3,629)</u>
Net Cash Provided by Operating Activities	<u>\$ 984,508</u>	<u>\$ 723,555</u>	<u>\$ 89,660</u>	<u>\$ 1,797,723</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Agency Fund - Onion River Exchange Fund
<u>ASSETS</u>	
Due from Other Funds	\$ 16,441
Prepaid Expenses	350
Total Assets	16,791
<u>LIABILITIES</u>	
Accounts Payable	207
Due to Onion River Exchange	16,584
Total Liabilities	16,791
<u>NET ASSETS</u>	\$ 0

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

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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.

The Montpelier Public School System is a department of the City of Montpelier, Vermont authorized by Title VI of the City Charter. The School System operates under its separately elected Board of School Commissioners who appoint a Superintendent and provides education services. The School System also manages the Montpelier Recreation Department and Senior Citizens Center. The Recreation Department is responsible for general recreation activities in the City. The Senior Citizens Center provides cultural activities for senior citizens. The Senior Citizens Center will become a department of the City of Montpelier, Vermont effective July 1, 2009.

The Montpelier Public School System is considered a primary government for financial reporting purposes in accordance with the standards set forth in Governmental Accounting Standards Board statement No. 14, "Defining the Financial Reporting Entity". This standard is based on the concept that financial reporting by a local government should report the accountability of elected officials for organizations under their control. Although the Montpelier Public School System is referred to as a department in the charter of the City of Montpelier, it meets the three criteria set forth in the standard for determining a primary government.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Those criteria are:

- a) It has a separately elected governing body. The voters of the City of Montpelier elect a board of seven School Commissioners who are charged with the exclusive management and control of the public schools and all school property of the City. Vacancies in the Board of School Commissioners are filled by the remaining members of the Board of School Commissioners.
- b) It is legally separate as defined in the standard. The Montpelier Public School System possesses the corporate powers that would distinguish it as being legally separate including the capacity to have its own name, the right to sue and be sued in its own name without recourse to the City of Montpelier, and the right to buy, sell, lease and mortgage property in its name, subject to the approval of the voters. The Board of School Commissioners have all powers of a Vermont Town school district except the power to call elections or take property.
- c) It is fiscally independent of other state and local governments. All monies received by the Montpelier Public School System from tuition and other sources, and all funds received from the issuance of bonds or notes authorized by the voters of the City of Montpelier for school purposes are restricted for school purposes. The Montpelier Public School System determines its own budget (the City has a ministerial approval power over the budget but does not have the authority to modify the budget), has its own tax appropriation approved by the voters of the City of Montpelier and sets rates or charges for tuition and other services without approval of any other government. As is the case in Vermont municipalities generally, issuance of bonded debt is subject to the approval of the voters.

The City Council of the City of Montpelier has a ministerial power in that the School Board must submit its request for debt to the City Council which is required to submit it to the voters for approval. No financial burden or benefit accrues to the City of Montpelier from the Montpelier Public School System.

Additionally, under state law, the laws governing education and regulations of the State Board of Education apply to all school districts unless otherwise specifically provided for in the charter of a City. Under Vermont law, school districts are considered separate legal entities from other municipal governments which exist in the same geographic boundaries and have the same voters.

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, 2008

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

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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.

Additionally, the City reports the following fund type:

Agency Fund – The fund accounts for monies maintained for the Onion River Exchange.

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, 2008

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, 2008

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, 2008

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. Infrastructure assets are reported starting with fiscal year ending June 30, 2004. 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 incurred.

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, 2008

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, 2008

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	\$ 1,600,823	\$ 0	\$ 0	\$ 0	\$ 1,600,823
Investments	811,041	0	0	0	811,041
Receivables	404,689	0	0	0	404,689
Due from Other					
Governments	4,685	0	0	0	4,685
Loans Receivable	2,976,836	0	0	0	2,976,836
Note Receivable	261,753	0	0	0	261,753
Prepaid Expenses	2,030	0	0	0	2,030
Inventories	104,838	0	0	0	104,838
Due from Fire District	420	0	0	0	420
Due from Other Funds	1,288,706	0	0	(515,061)	773,645
Capital Assets	0	0	12,848,536	0	12,848,536
	<u>7,455,821</u>	<u>0</u>	<u>12,848,536</u>	<u>(515,061)</u>	<u>19,789,296</u>
LIABILITIES					
Accounts Payable	103,986	0	0	0	103,986
Accrued Payroll and Related Expenses	136,217	0	0	0	136,217
Due to Montpelier					
Downtown Association	20,790	0	0	0	20,790
Due to Agency Fund	0	0	0	16,441	16,441
Due to Other Funds	531,502	0	0	(531,502)	0
Deferred Revenue	3,172,122	(3,122,237)	0	0	49,885
Accrued Interest	0	20,438	0	0	20,438
Noncurrent Liabilities	0	1,227,094	4,025,163	0	5,252,257
	<u>3,964,617</u>	<u>(1,874,705)</u>	<u>4,025,163</u>	<u>(515,061)</u>	<u>5,600,014</u>
NET ASSETS					
Invested in Capital Assets	0	0	8,823,373	0	8,823,373
Other	3,491,204	1,874,705	0	0	5,365,909
	<u>3,491,204</u>	<u>1,874,705</u>	<u>8,823,373</u>	<u>0</u>	<u>14,189,282</u>
Total Net Assets	<u>\$ 3,491,204</u>	<u>\$ 1,874,705</u>	<u>\$ 8,823,373</u>	<u>\$ 0</u>	<u>\$ 14,189,282</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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	\$ 6,614,333	\$ (19,206)	\$ 0	\$ 0	\$ 6,595,127
Permits and Licenses	102,311	0	0	(102,311)	0
Intergovernmental	1,366,771	0	0	(1,366,771)	0
Fees and Charges for Services	1,522,906	0	0	240,123	1,763,029
Fines and Forfeitures	34,854	0	0	(34,854)	0
Investment Income	336,552	0	0	(20,316)	316,236
Contributions	7,759	0	0	(7,759)	0
Rents and Commissions	3,339	0	0	(3,339)	0
Equipment Revenues	98,173	0	0	(98,173)	0
Loan Principal Repayments	48,883	(48,883)	0	0	0
Other Revenues	108,100	0	0	0	108,100
Debt Proceeds	301,767	(301,767)	0	0	0
Gain on Sale of Capital Assets	0	0	17,258	0	17,258
Payment in Lieu of Taxes	0	0	0	184,000	184,000
Operating Grants and Contributions	0	29,901	0	1,018,070	1,047,971
Capital Grants and Contributions	0	37,136	15,000	172,460	224,596
Contributions to Permanent Endowments	0	0	0	18,870	18,870
Transfers from Other Funds	754,759	0	0	(731,159)	23,600
Total Revenues	11,300,507	(302,819)	32,258	(731,159)	10,298,787
EXPENDITURES					
General Government	1,956,794	6,801	110,874	0	2,074,469
Public Safety	3,431,652	6,802	174,916	0	3,613,370
Public Works	2,022,456	6,801	327,306	0	2,356,563
Culture and Recreation	545,840	0	4,012	0	549,852
Community Development	632,513	(594,611)	0	0	37,902
Cemetery	171,337	0	11,607	0	182,944
Capital Outlay	984,294	0	(984,294)	0	0
Debt Service - Principal	505,574	(505,574)	0	0	0
Debt Service - Interest	433,490	(2,403)	0	0	431,087
Transfers to Other Funds	731,159	0	0	(731,159)	0
Total Expenditures	11,415,109	(1,082,184)	(355,579)	(731,159)	9,246,187
Net Change for the Year	\$ (114,602)	\$ 779,365	\$ 387,837	\$ 0	\$ 1,052,600

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008, expenditures exceeded appropriations in the General Fund by \$714,982. These were funded by excess revenues.

4. DETAILED NOTES ON ALL FUNDS

4A. Deposits and Investments

Cash - Deposits with Financial Institutions	\$ 1,600,473
Cash on Hand	<u>400</u>
Total Cash	<u>1,600,873</u>
Investments - Certificates of Deposit	83,143
Money Market Mutual Funds	81,669
Mutual Funds - Mixed Holdings	79,170
Mutual Funds - Bonds	485,086
Mutual Funds - Stocks	79,483
Corporate Stock	<u>2,490</u>
Total Investments	<u>811,041</u>
Total Cash and Investments	\$ <u>2,411,914</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008

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>	Remaining Maturity (In Years)					Total
	0-1	1-5	6-10	Data not Available	N/A	
Certificates of Deposit	\$ 83,143	\$ 0	\$ 0	\$ 0	\$ 0	\$ 83,143
Money Market Mutual Funds	81,669	0	0	0	0	81,669
Mutual Funds - Mixed Holdings	0	0	0	79,170	0	79,170
Mutual Funds - Bonds	0	97,315	387,771	0	0	485,086
Mutual Funds - Stocks	0	0	0	0	79,483	79,483
Corporate Stock	0	0	0	0	2,490	2,490
	\$ 164,812	\$ 97,315	\$ 387,771	\$ 79,170	\$ 81,973	\$ 811,041

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 and the corporate stock are exempt from this analysis. The mutual funds are open-ended and are therefore excluded from the credit risk analysis.

<u>Investment Type</u>	Exempt From <u>Disclosure</u>
Certificates of Deposit	\$ 83,143
Money Market Mutual Funds	81,669
Mutual Funds - Mixed Holdings	79,170
Mutual Funds - Bonds	485,086
Mutual Funds - Stocks	79,483
Corporate Stock	2,490
	\$ 811,041

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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.

	Book Balance	Bank Balance
Insured by FDIC	\$ 318,220	\$ 318,220
Insured by Private Surety Bond	1,115,087	1,644,645
Uninsured, Uncollateralized	<u>250,309</u>	<u>258,388</u>
 Total Deposits	 <u>\$ 1,683,616</u>	 <u>\$ 2,221,253</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. Subsequent to year end, the FDIC coverage has increased from \$100,000 to \$250,000.

Deposits are comprised of the following:

Cash – Deposits with Financial Institutions	\$1,600,473
Investments - Certificates of Deposits	<u>83,143</u>
 Total	 <u>\$1,683,616</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4B. Receivables

Receivables at June 30, 2008, 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	\$ 173,930	\$ 0	\$ 173,930
Ambulance	302,232	0	302,232
Accounts Receivable	77,888	0	77,888
Grants	96,016	8,795	104,811
Billed Services	0	232,648	232,648
Unbilled Services	0	948,769	948,769
Other Receivables	23,023	0	23,023
Allowance for Doubtful Accounts	<u>(268,400)</u>	<u>(7,000)</u>	<u>(275,400)</u>
	<u>\$ 404,689</u>	<u>\$ 1,183,212</u>	<u>\$ 1,587,901</u>

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%.

\$2,901,578

Notes Receivable, Four (4) Housing Loans,
0% Interest, Due Upon Any Conveyance or
Transfer of Condominium Units

104,000

Total

3,005,578

Allowance for Doubtful Accounts

(28,742)

Net

\$2,976,836

Beginning
Balance

Additions

Deletions

Ending
Balance

\$2,475,688

\$578,773

\$48,883

\$3,005,578

(36)

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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 with interest at 2.7%. The balance of the loan on June 30, 2008 was \$261,753. This loan is secured by a building. The current principal due over the next twelve months is \$28,038.

The Water Fund has a note receivable from Scotts Construction, Inc. with monthly payments of \$7,446 through January 1, 2013 with interest at 5.0%. The balance of the loan on June 30, 2008 was \$382,935.

4E. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 586,334	\$ 8,316	\$ 0	\$ 594,650
Construction in Progress	<u>505,069</u>	<u>188,857</u>	<u>8,316</u>	<u>685,610</u>
Total Capital Assets, Not Being Depreciated	<u>1,091,403</u>	<u>197,173</u>	<u>8,316</u>	<u>1,280,260</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	6,450,712	320,167	0	6,770,879
Vehicles and Equipment	4,695,615	253,319	74,366	4,874,568
Infrastructure	<u>4,328,573</u>	<u>266,730</u>	<u>0</u>	<u>4,595,303</u>
Totals	<u>15,474,900</u>	<u>840,216</u>	<u>74,366</u>	<u>16,240,750</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	1,524,456	149,683	0	1,674,139
Vehicles and Equipment	2,424,416	336,456	61,845	2,699,027
Infrastructure	<u>156,732</u>	<u>142,576</u>	<u>0</u>	<u>299,308</u>
Totals	<u>4,105,604</u>	<u>628,715</u>	<u>61,845</u>	<u>4,672,474</u>
Total Capital Assets, Being Depreciated	<u>11,369,296</u>	<u>211,501</u>	<u>12,521</u>	<u>11,568,276</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,460,699</u>	<u>\$ 408,674</u>	<u>\$ 20,837</u>	<u>\$ 12,848,536</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 250,672	\$ 0	\$ 0	\$ 250,672
Construction in Progress	1,252,935	1,657,549	4,427	2,906,057
Total Capital Assets, Not Being Depreciated	<u>1,503,607</u>	<u>1,657,549</u>	<u>4,427</u>	<u>3,156,729</u>
Capital Assets Being Depreciated:				
Buildings	21,267,243	0	0	21,267,243
Improvements	27,050,174	243,127	0	27,293,301
Equipment and Vehicles	1,404,693	66,880	0	1,471,573
Total Capital Assets, Being Depreciated	<u>49,722,110</u>	<u>310,007</u>	<u>0</u>	<u>50,032,117</u>
Less Accumulated Depreciation for:				
Buildings	3,098,832	411,328	0	3,510,160
Improvements	10,813,394	473,474	0	11,286,868
Equipment and Vehicles	668,697	84,878	0	753,575
Totals	<u>14,580,923</u>	<u>969,680</u>	<u>0</u>	<u>15,550,603</u>
Total Capital Assets, Being Depreciated	<u>35,141,187</u>	<u>(659,673)</u>	<u>0</u>	<u>34,481,514</u>
Business-Type Activities Capital Assets, Net	<u>\$ 36,644,794</u>	<u>\$ 997,876</u>	<u>\$ 4,427</u>	<u>\$ 37,638,243</u>

D

depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 110,874	Water	\$ 447,412
Public Safety	174,916	Sewer	504,403
Public Works	327,306	Parking	<u>17,865</u>
Culture and Recreation	4,012		
Cemetary	<u>11,607</u>		
Total Depreciation		Total Depreciation	
Expense -		Expense - Business-	
Governmental	<u>\$ 628,715</u>	Type Activities	<u>\$ 969,680</u>

\$589,972 of governmental equipment and vehicles have been acquired through outstanding capital leases. \$8,531 has been amortized to cemetery operating expenses, \$14,224 has been amortized to general government operating expenses and \$25,604 has been amortized to public safety operating expenses as of June 30, 2008. The amortization has been charged to depreciation expense.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4F. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2008, is as follows:

<u>Fund</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>
Due To/From Other Funds:		
General Fund	\$ 0	\$ 223,620
Community Development Fund	4,953	0
Other Governmental Funds	1,283,753	307,882
Water Fund	0	439,784
Sewer Fund	0	373,135
Parking Fund	39,274	0
Agency Fund	<u>16,441</u>	<u>0</u>
 Total Due To/From Other Funds	 <u>\$ 1,344,421</u>	 <u>\$ 1,344,421</u>

Interfund transfers for the year ended June 30, 2008 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 354,509	Budgetary Authorization
General Fund	Justice Fund	9,000	Budgetary Authorization
General Fund	Montpelier Events Fund	11,000	Budgetary Authorization
General Fund	Montpelier Parks Commission	101,431	Budgetary Authorization
General Fund	Montpelier Housing Trust Fund	52,000	Transfer Reserves and Budgetary Authorizations
General Fund	Green Mountain Cemetery Fund	126,802	Budgetary Authorization
Community Development Fund	General Fund	30,000	Budgetary Authorization
Expendable Cemetery Trust Fund	Green Mountain Cemetery Fund	28,000	Budgetary Authorization
Non-Expendable Cemetery Trust Fund	Expendable Cemetery Trust Fund	17,536	Interest Income Transfer
Montpelier Parks Commission Fund	Water Fund	300	Budgetary Authorization
Hubbard Park Trust Fund	Montpelier Parks Commission Fund	581	Interest Income Transfer
Parking Fund	General Fund	13,900	Transfer Reserves
Parking Fund	Green Mountain Cemetery Fund	<u>10,000</u>	Budgetary Authorization
 Total		 <u>\$ 755,059</u>	

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4G. Deferred Revenue

Deferred Revenue in the General Fund consists of \$78,632 of delinquent taxes and \$4,685 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$9,862 of property taxes received in advance for fiscal year 2009. Total Deferred Revenue in the General Fund is \$93,179.

Deferred Revenue in the Community Development Fund consists of \$2,855,136 of loans receivable and \$17,823 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the Community Development Fund is \$2,872,959.

Deferred Revenue in the Other Governmental Funds consists of \$40,023 of grant revenue received in advance and \$61,961 of grant receivables and \$104,000 of loans receivable that were 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 \$205,984.

Deferred Revenue in the Water Fund consists of \$4,114 of water usage overpayments.

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 and proprietary 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.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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 – 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 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, 2008 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	\$ 20,000
Gould Hill Road Improvement Bond, Various Interest Rates (3.8% - 5.4%), to Vermont Municipal Bond Bank, \$42,300 Principal Due Annually from December 1, 1994 to December 1, 2008 and \$23,500 Principal due December 1, 2009	65,800
Bridge Improvement Bond, Various Interest Rates (3.8% - 5.4%), to Vermont Municipal Bond Bank, \$2,700 Principal Due Annually From December 1, 2004 to December 1, 2008 and \$1,500 Principal Due December 1, 2009	4,200
Retaining Walls Bond, Net Interest Rate of 5.676%, to Vermont Municipal Bond Bank, \$5,000 Principal Payments Due Annually From December 1, 1997 to December 1, 2016	45,000

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Fire Station Improvement Bond, Net Interest Rate of 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	\$ 350,000
Bridge Improvement Bond, Net Interest Rate of 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	330,000
Fire Truck Bond, Net Interest of 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	150,000
Retaining Wall Bond, Net Interest of 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	495,000
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	390,000
Bike Path Lighting Project Bond, Interest at 4.67%, to Vermont Municipal Bond Bank, \$25,000 Principal Due Annually Until December, 2021	280,000
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	945,000
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	715,000

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Honeywell Global Finance, LLC. Lease, for Energy Efficiency Upgrades, Interest at 4.53%, Due in Annual Installments of Principal and Interest of \$25,600 Until February 1, 2009, then \$26,890 Until February 2010, then \$30,431 Until February 1, 2018, (61% of lease Reported in Governmental Activities, 10% of Lease Reported in Water Fund and 29% Reported in Sewer Fund), Secured by Equipment	\$ 281,472
General Motors Acceptance Corporation Lease, Interest at 7.45%, Two Annual Payments of Principal and Interest of \$10,512, Due July, 2008, Secured by Vehicle, Paid off Subsequent to Year End	9,783
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	820,000
T.D. Banknorth Municipal Lease for Ambulance, Interest at 4.45%, Annual Payments of Principal and Interest of \$10,423 from January, 2007 to January, 2011	28,680
Community National Bank Municipal Note, Interest at 4.44%, Annual Payments of Principal and Interest of \$11,392 from April, 2008 to April, 2012, Secured by Excavator	40,865
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, Paid Off Subsequent to Year End	<u>10,686</u>
Total Governmental Activities	<u>\$4,981,486</u>

Business-Type Activities

Water Fund

Water Line Improvement Bond, Various Interest Rates (3.865% - 4.665%) to Vermont Municipal Bond Bank, Principal Payable in Annual Installments of \$105,519 Decreasing to \$80,195 Until December 1, 2027	\$1,950,000
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CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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 \$1,845,000

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 3,710,000

Westside Connector Bond Issued July, 2004 to Vermont Municipal Bond Bank, Various Interest Rates (1.87% - 5.09%), Interest Payable June 1 and December 1, and Principal Payable in Annual Installments Increasing from \$50,000 to \$105,000 Until December 1, 2024 1,250,000

Honeywell Global Finance, LLC. Lease, for Energy Efficiency Upgrades, Interest at 4.53%, Due in Annual Installments of Principal and Interest of \$25,600 Until February 1, 2009, then \$26,890 Until February 2010, then \$30,431 Until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of Lease Reported in Water Fund and 29% Reported in Sewer Fund), Secured by Equipment 46,143

Total Water Fund 8,801,143

Sewer Fund

Water Pollution Control Facility Bond, Various Interest Rates (6.8% - 7.6%), to Vermont Municipal Bond Bank, Final Principal Payment of \$12,532 on December 1, 2008 \$ 12,532

Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Average Annual Principal Payments of \$21,500 until December 1, 2016 198,442

Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Average Annual Principal Payments of \$38,856 until December 1, 2017 388,555

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Sewer System Improvement Bond, Vermont Municipal Bond Bank, Net Interest Rate of 5.676%, Annual Principal Payments of \$30,000 until December 1, 2016	\$ 270,000
Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payment of \$14,156 until December, 2018	155,718
Ultraviolet Disinfection System Bond Issued July 2004, to 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	1,315,000
Sewer System Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$35,497 until June, 2019	425,964
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	2,960,905
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	193,299
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	370,382
Water Treatment Improvement Bond, State of Vermont Special Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$34,432 From July, 2004 to July, 2023	516,479
Water Treatment Improvement Bond, State of Vermont Revolving Loan Fund, 0% Interest, Annual Principal Payments of \$28,100 From June, 2005 to June, 2024	449,595

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Honeywell Global Finance, LLC. Lease, for Energy Efficiency Upgrades, Interest at 4.53%, Due in Annual Installments of Principal and Interest of \$25,600 Until February 1, 2009, then \$26,890 Until February 2010, then \$30,431 Until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of Lease Reported in Water Fund and 29% Reported in Sewer Fund), Secured by Equipment \$ 133,814

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 Subsequent to Year End, the Loan was Finalized and the Repayment Schedule was Adjusted to Annual Principal Payments of \$34,710 590,831

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 900,000

Sewer Pump Bond, Vermont Municipal Bond Bank, Various Interest Rates (3.865% - 4.665%) Principal Payments in Annual Installments of \$19,481 Decreasing to \$14,805 Until December 1, 2027 360,000

Total Sewer Fund 9,241,516

Total Business-Type Activities \$18,042,659

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	\$ 5,035,000	\$ 0	\$ 425,000	\$ 4,610,000	\$ 410,000
Capital Leases	67,575	301,767	49,407	319,935	32,658
Notes Payable	82,718	0	31,167	51,551	20,238
ACCD Payable	60,005	0	15,838	44,167	16,082
Compensated Absences	206,200	20,404	0	226,604	0
Total Governmental Activities Long-Term Liabilities	\$ 5,451,498	\$ 322,171	\$ 521,412	\$ 5,252,257	\$ 478,978
Business-type Activities					
General Obligation Bonds	\$ 16,510,005	\$ 2,310,000	\$ 957,303	\$ 17,862,702	\$ 972,331
Capital Leases	0	179,957	0	179,957	8,777
Compensated Absences	81,562	0	3,629	77,933	0
Total Business-type Activities Long-Term Liabilities	\$ 16,591,567	\$ 2,489,957	\$ 960,932	18,120,592	\$ 981,108

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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	Capital Leases
2009	430,238	218,448	52,168	972,331	558,925	19,967
2010	399,982	199,165	43,229	974,799	535,287	20,974
2011	375,431	181,033	47,549	989,799	510,647	23,737
2012	375,900	163,262	37,126	1,009,799	484,449	23,737
2013	360,000	145,321	37,127	1,142,199	456,562	23,737
2014-2018	1,610,000	471,847	185,630	5,297,753	1,813,640	118,681
2019-2023	885,000	139,213	0	5,131,974	910,622	0
2024-2028	225,000	17,154	0	2,204,048	167,401	0
2029-2033	0	0	0	140,000	14,840	0
Less Amounts Representing Interest	0	0	(82,894)	0	0	(50,876)
Total	4,661,551	1,535,443	319,935	17,862,702	5,452,373	179,957

The City has authorized, but has not issued long-term debt at June 30, 2008 as follows:

<u>Purpose</u>	<u>Authorized</u>	<u>Amount</u>
Transportation Center	March 2002	\$ 800,000
District Heating	March 2003	250,000
Sabins Pasture	March 2005	<u>188,000</u>
Total		\$ <u>1,238,000</u>

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

Beginning Balance	\$ 750,000
Proceeds of Tax Anticipation Note – General Fund	5,250,000
Repayment of Tax Anticipation Note – General Fund	(5,250,000)
Repayment of Grant Anticipation Note	<u>(750,000)</u>
Ending Balance	<u>\$ 0</u>

The tax anticipation notes had interest rates of 3.80% and 3.74% and were due and paid on June 30, 2008. The grant anticipation note had an interest rate of 2.5% and was paid in August of 2007 with the receipt of funds from the Vermont Agency of Transportation.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4I. Reserved and Designated Fund Balances/Net Assets

The reserved and designated fund balances/net assets of the City as of June 30, 2008 consisted of the following:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Governmental Funds</u>			
General Fund:			
Inventories	\$ 97,308	\$ 7,530	\$ 104,838
Prepaid Expenses	3,203	(1,173)	2,030
Act 60 Reappraisal - State Statute	16,487	13,263	29,750
Records Restoration - State Statute	47,146	7,474	54,620
Armory Note Receivable	289,055	(27,302)	261,753
Park Impact Fees - State Statute	31,824	4,000	35,824
Parks Wetland - Donations	140	0	140
City Hall Plaza -Donations	859	(667)	192
Drug Seizure - State Statute	5,636	(5,636)	0
Civil Air Patrol - Donations	3,438	0	3,438
	<u>495,096</u>	<u>(2,511)</u>	<u>492,585</u>
Community Development Fund:			
Community Development	454,116	(123,932)	330,184
Community Development - Program Expenditures	<u>17,701</u>	<u>0</u>	<u>17,701</u>
Total Community Development	<u>471,817</u>	<u>(123,932)</u>	<u>347,885</u>
Other Governmental Funds:			
Special Revenue Funds:			
Montpelier Events Fund - Donations	4,880	0	4,880
Montpelier Foundation - Donations	88,209	2,956	91,165
Total Special Revenue Funds	<u>93,089</u>	<u>2,956</u>	<u>96,045</u>
Capital Projects Fund:			
Traffic Impact Fees	28,445	3,500	31,945
Bond Proceeds	468,512	97,811	566,323
Capital Grants	<u>178,920</u>	<u>(169,701)</u>	<u>9,219</u>
Total Capital Projects Fund	<u>675,877</u>	<u>(68,390)</u>	<u>607,487</u>
Permanent Funds:			
George Blanchard Trust	65,809	2,671	68,480
Non Expendable Cemetery Trust	330,745	18,398	349,143
Hubbard Park Trust	14,620	0	14,620
Expendable Cemetery Trust	<u>307,874</u>	<u>(10,464)</u>	<u>297,410</u>
Total Permanent Funds	<u>719,048</u>	<u>10,605</u>	<u>729,653</u>
Total Other Governmental Funds	<u>1,488,014</u>	<u>(54,829)</u>	<u>1,433,185</u>
Total Reserved Fund Balances - Governmental Funds	<u>\$ 2,454,927</u>	<u>\$ (181,272)</u>	<u>\$ 2,273,655</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Designated Fund Balances/Net Assets:

Governmental Funds

Major Funds:

General Fund

Designated for Vactor Purchase	\$ 35,000
Designated for Fire Revenue Reserve	11,919
Designated for Computer Equipment	21,262
Designated for Tree Board Expenses	23,128
Designated for Equipment Reserve	<u>92,927</u>
 Total General Fund	 <u>\$184,236</u>

Other Governmental Funds:

Special Revenue Funds

Designated for Green Mountain Cemetery Fund	88
Designated for Montpelier Park Commission	31,055
Designated for Montpelier Events Fund	65,574
Designated for Conservation Fund	48,712
Designated for Montpelier Housing Trust Fund	<u>59,090</u>
 Total Special Revenue Funds	 <u>204,519</u>

Capital Projects Funds

Designated for Capital Projects	<u>159,572</u>
 Total Capital Projects Funds	 <u>159,572</u>
 Total Designated Fund Balances	 <u>\$364,091</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4J. Restricted Net Assets

The restricted net assets of the City as of June 30, 2008 consisted of the following:

Governmental Activities:

Restricted by State Statute - Impact Fees	\$ 67,769
Restricted by State Statute – Other	84,370
Restricted by Donors	99,815
Restricted by Trust Agreements - Non-Expendable	422,562
Restricted by Trust Agreements - Expendable	307,091
Restricted by Community Development Loan/Grant Agreements	<u>3,272,073</u>
 Total Governmental Activities	 <u>4,253,680</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>\$4,294,900</u>

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 \$5,215,469 while covered payroll was \$5,029,383. Pension expense for the year was \$293,112.

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

CITY OF MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008

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 taxes for the State of Vermont. City property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate for fiscal year 2007-2008 was as follows:

	<u>Residential</u>	<u>Non Residential</u>
City, Cemetery and Outside Agencies	\$1.1459	\$1.1459
State Education Tax	1.7594	1.9171
Water/Sewer Benefit Charge	0.1100	0.1100
Senior Citizens/Recreation	<u>0.1270</u>	<u>0.1270</u>
Total	<u>\$3.1423</u>	<u>\$3.3000</u>

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.

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

5D. COMMITMENTS

Prior Service Purchase Agreement with VMERS – The City switched pension plans to the Vermont Municipal Employees’ Retirement System (VMERS) on 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 2008 was \$189,935. The balance as of June 30, 2008 was \$3,318,768.

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.

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, 2008 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, 2008 was \$14,616.

The minimum lease payments are as follows:

2009	\$14,616
2010	14,616
2011	<u>12,831</u>
	<u>\$42,063</u>

CITY OF MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

5E. SUBSEQUENT EVENTS

Subsequent to year end, the City borrowed \$3,500,000 from the Vermont Municipal Bond Bank. Maturities ranging from \$113,768 to \$536,903 are due from November 15, 2008 through November 15, 2032 with interest at 6.501%. The bond was approved for the purpose of the VMERS refunding.

Subsequent to year end, the City obtained a tax anticipation note up to \$2,000,000 from Citizens Bank with interest at 2.89% and due June 30, 2009.

Subsequent to year end, the City leased a bucket truck with a cost of \$59,592 from De Lang Landen. Rental payments of \$10,993 are due annually for six (6) years with interest at 4.25%.

Subsequent to year end, the City borrowed \$400,000 from the Vermont Municipal Bond Bank. Principal payments are \$20,000 with interest ranging from 1.9% to 4.65% and due November 15, 2026. The bond was approved for the purpose of the River Street sewer line.

Subsequent to year end, the City leased equipment for MontpelierNet for \$4,082 with interest at 14.6%. The lease is for three (3) years with payments of \$140 per month.

Subsequent to year end, the City awarded the U.S. Route 2/302 roundabout capital project to a contractor for \$2,499,312. The City will pay for the capital project with federal grants and local money.

During fiscal year 2008, the City signed a construction contract for water improvements on Berlin and River Street for \$1,184,411. The project was completed in fiscal year 2009.

Subsequent to year end, the City renegotiated their loan to the North Branch Housing Limited Partnership. The City deferred interest and principal payments for thirty years. Interest is at one (1%) percent. The balance on the loan at June 30, 2008 was \$323,518.

The City of Montpelier is a member of East Central Vermont Community Fiber Network (ECFiber) a public entity made up of 22 towns in East-Central Vermont committed to making state-of-the-art high-speed communications services available to all institutions, homes and businesses in participating towns. Private capital lease financing will be used to build this system. The revenue generated from system users will pay the costs of building, financing and operating the system. No cash outlay from member municipalities will be required.

CITY OF MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds								Capital Projects Fund	Permanent Funds				Total Other Governmental Funds
	Green Mountain Cemetery Fund	Montpelier Parks 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	\$ 48,712	\$ 23,946	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,658
Investments	4,304	0	0	0	0	0	79,170	0	0	68,480	644,424	14,663	0	811,041
Receivables	11,950	168	0	0	0	0	0	0	73,522	0	0	0	0	85,640
Loans Receivable	0	0	0	0	0	0	0	104,000	0	0	0	0	0	104,000
Due from Other Funds	0	32,929	32,331	70,534	12,202	0	0	59,090	779,257	0	0	0	297,410	1,283,753
TOTAL ASSETS	\$ 16,254	\$ 33,097	\$ 32,331	\$ 70,534	\$ 12,202	\$ 48,712	\$ 103,116	\$ 163,090	\$ 852,779	\$ 68,480	\$ 644,424	\$ 14,663	\$ 297,410	\$ 2,357,092
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts Payable	\$ 2,485	\$ 1,095	\$ 160	\$ 80	\$ 6	\$ 0	\$ 11,241	\$ 0	\$ 23,759	\$ 0	\$ 0	\$ 43	\$ 0	\$ 38,869
Accrued Payroll and Related Expenses	1,790	947	0	0	4,344	0	0	0	0	0	0	0	0	7,081
Deferred Revenue	0	0	32,171	0	7,852	0	0	104,000	61,961	0	0	0	0	205,984
Due to Other Funds	11,891	0	0	0	0	0	710	0	0	0	295,281	0	0	307,882
Total Liabilities	16,166	2,042	32,331	80	12,202	0	11,951	104,000	85,720	0	295,281	43	0	559,816
Fund Balances:														
Reserved	0	0	0	4,880	0	0	91,165	0	607,487	68,480	349,143	14,620	297,410	1,433,185
Unreserved	88	31,055	0	65,574	0	48,712	0	59,090	159,572	0	0	0	0	364,091
Total Fund Balances	88	31,055	0	70,454	0	48,712	91,165	59,090	767,059	68,480	349,143	14,620	297,410	1,797,276
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,254	\$ 33,097	\$ 32,331	\$ 70,534	\$ 12,202	\$ 48,712	\$ 103,116	\$ 163,090	\$ 852,779	\$ 68,480	\$ 644,424	\$ 14,663	\$ 297,410	\$ 2,357,092

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, 2008

	Special Revenue Funds								Permanent Funds				Total Other Governmental Funds	
	Green Mountain Cemetery Fund	Montpelier Parks Commission Fund	Police Grants Fund	Montpelier Events Fund	Justice Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	Capital Projects Fund	George Blanchard Trust Fund	Non-expendable Cemetery Trust Fund	Hubbard Park Trust Fund		Expendable Cemetery Trust Fund
Revenues:														
Intergovernmental	\$ 0	\$ 600	\$ 17,878	\$ 50,000	\$ 124,996	\$ 0	\$ 0	0	\$ 188,046	\$ 0	\$ 0	\$ 0	\$ 0	\$ 381,520
Fees and Charges for Services	33,025	0	0	0	0	0	0	0	3,500	0	18,870	0	0	55,395
Investment Income/(Loss)	(177)	570	0	0	0	2,407	(3,030)	4,152	0	2,671	17,064	581	0	24,238
Contributions	20	499	0	150	0	0	5,986	0	830	0	0	0	0	7,485
Rents and Commissions	0	3,239	0	0	0	0	0	0	0	0	0	0	0	3,239
Other Revenues	0	189	7,693	0	4,281	0	0	0	0	0	0	0	0	12,163
Total Revenues	32,868	5,097	25,571	50,150	129,277	2,407	2,956	4,152	192,376	2,671	35,934	581	0	484,040
Expenditures:														
General Government	0	0	0	0	0	0	0	0	28,342	0	0	0	0	28,342
Public Safety	0	0	25,571	0	138,277	0	0	0	5,650	0	0	0	0	169,498
Public Works	0	0	0	0	0	0	0	0	21,040	0	0	0	0	21,040
Culture and Recreation	0	110,575	0	57,550	0	0	0	0	0	0	0	0	0	168,125
Community Development	0	0	0	0	0	0	0	52,000	0	0	0	0	0	52,000
Cemetery	171,337	0	0	0	0	0	0	0	0	0	0	0	0	171,337
Capital Outlay														
General Government	0	0	0	0	0	0	0	0	5,694	0	0	0	0	5,694
Public Works	0	0	0	0	0	0	0	0	523,068	0	0	0	0	523,068
Debt Service - Principal	11,153	0	0	0	0	0	0	0	0	0	0	0	0	11,153
Debt Service - Interest	2,272	0	0	0	0	0	0	0	30,146	0	0	0	0	32,418
Total Expenditures	184,762	110,575	25,571	57,550	138,277	0	0	52,000	613,940	0	0	0	0	1,182,675
Excess/(Deficiency) of Revenues Over Expenditures	(151,894)	(105,478)	0	(7,400)	(9,000)	2,407	2,956	(47,848)	(421,564)	2,671	35,934	581	0	(698,635)
Other Financing Sources/(Uses):														
Transfers In	164,802	102,012	0	11,000	9,000	0	0	52,000	354,509	0	0	0	17,536	710,859
Transfers Out	0	(300)	0	0	0	0	0	0	0	0	(17,536)	(581)	(28,000)	(46,417)
Total Other Financing Sources/(Uses)	164,802	101,712	0	11,000	9,000	0	0	52,000	354,509	0	(17,536)	(581)	(10,464)	664,442
Net Change in Fund Balance	12,908	(3,766)	0	3,600	0	2,407	2,956	4,152	(67,055)	2,671	18,398	0	(10,464)	(34,193)
Fund Balances - July 1, 2007	(12,820)	34,821	0	66,854	0	46,305	88,209	54,938	834,114	65,809	330,745	14,620	307,874	1,831,469
Fund Balances - June 30, 2008	\$ 88	\$ 31,055	\$ 0	\$ 70,454	\$ 0	\$ 48,712	\$ 91,165	\$ 59,090	\$ 767,059	\$ 68,480	\$ 349,143	\$ 14,620	\$ 297,410	\$ 1,797,276

The accompanying notes are an integral part of this financial statement