

CITY OF MONTPELIER, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2014
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Montpelier, Vermont
Montpelier, VT 05602

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

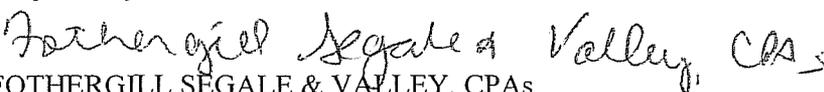
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,


FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

January 14, 2015

CITY OF MONTPELIER, VERMONT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

This discussion and analysis is intended to serve as an introduction to the City of Montpelier, Vermont's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights

Government-Wide Statements

The total net position of the governmental activities increased by \$3,240,308 or 16.33 percent and the total net position of the business-type activities increased by \$3,291,959 or 13.81 percent. The City's total net position increased by \$6,532,267 or 15%, as a result of this year's operations. This increase is the result of a large amount of investment in land and construction in progress funded by capital grants.

Total revenue for all the City's programs increased from \$19,530,937 in 2013 to \$26,777,769 in 2014, which is a 37% increase from the previous year. The cost of all of the City's programs increased from \$16,935,220 cost in fiscal year 2013 to \$20,245,502 in fiscal year 2014 which is 19.5 percent higher than the previous year. The revenue and expense increases are primarily due to a rise in capital grant activities, most notably, the District Heat and Transit Center projects. Capital grants and contributions revenue are very high at \$8,725,949 (an increase of \$6,526,331 over the previous year) and District Heat expenses increased by \$2,469,445 over the previous year.

Fund Statements

During fiscal year 2014, the General Fund reported a net decrease in the fund balance of \$336,776. This was primarily due to a transfer to the Capital Projects Fund equal to the beginning of the year equipment reserves of \$360,563. The transfer was done for the purpose of consolidating all capital project activity into one fund.

The General Fund balances totaled \$1,330,773 as of June 30, 2014. The fund balances that are nonspendable, restricted, committed and assigned totaled \$507,990 as of June 30, 2014, which is a decrease of \$446,482, mostly due to the transfer of equipment reserves noted above. These fund balances are either nonspendable or have spending constraints placed on the purposes for which they can be used. This leaves an unassigned fund balance of \$822,783 which is \$109,706 higher than the prior year's unassigned fund balance.

The Community Development Fund ended the year with a restricted and committed fund balance of \$512,642, which was \$35,715 higher than the prior year fund balance of \$476,927. This fund balance is reserved by various sources for Community Development programs and activities.

The Capital Projects Fund ended the year with a fund balance of \$1,816,130 which was \$209,441 lower than the prior year fund balance of \$2,025,571. Excluding the transfer of equipment reserves from the General Fund of \$360,563 (see above) the Capital Projects fund balance decreased by \$570,004 which is mainly the result of \$538,799 of grant funds which were spent but not recognized as revenue because they were not collected within sixty (60) days after year-end. \$1,426,142 of the fund balance are restricted by bonding constraints and impact fee ordinances, \$969,285 are committed for various capital improvement projects (including \$250,000 unidentified), leaving an unassigned fund deficit of (\$579,297).

Other nonmajor governmental funds ended the year with a fund balance of \$1,054,965, which was \$90,785 higher than the prior year fund balance of \$964,180. \$481,430 of these funds are Non-Expendable by Trust Agreements. \$546,114 of these funds are restricted and committed by donations and permanent funds. The unassigned deficit of \$161,812 is a result of interfund loans payable in the Montpelier Senior Citizens fund which will be paid back with future operations revenue.

The Water Fund ended the year with a net position of \$9,011,993 which was \$79,802 more than the prior year balance of \$8,932,191. Of the total net position balance, \$9,490,971 is invested in property and equipment. This leaves an unrestricted deficit of \$478,978 to be recovered in future periods. This unrestricted deficit is \$10,190 more than the \$468,788 unrestricted deficit as of June 30, 2013. An unexpected major water line repair limited the Water Fund's ability

CITY OF MONTPELIER, VERMONT
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to reduce its unrestricted deficit in fiscal year 2014. \$297,500 of the unrestricted deficit is debt related to the refinancing of the unfunded pension liability. Principal repayments on this debt are not due until November, 2017.

The Sewer Fund ended the year with a net position of \$11,924,327, which was \$239,709 higher than the prior year balance of \$11,684,618. Of the total net position balance, \$11,503,082 is invested in property and equipment. This leaves an unrestricted net position balance of \$421,245, which is \$302,713 higher than the previous year.

The Parking Fund ended the year with net position of \$290,851, which was \$23,709 lower than the prior year balance of \$314,560. Of the total net position balance, \$325,865 is invested in property and equipment and \$2,417 is restricted for various projects. This leaves a deficit of \$37,431 to be recovered in future periods. Included in this deficit is \$192,500 in debt related to the refinancing of the unfunded pension liability. Principal repayments on this debt are not due until November, 2017.

The District Heat Fund ended the year with net position of \$5,903,151, which was \$2,996,157 higher than the prior year balance of \$2,906,994. Of the total net position balance, \$6,039,542 is invested in property and equipment. This leaves an operating deficit of \$136,391 to be recovered in future periods.

Using This Annual Report

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

Reporting the City as a Whole

Our analysis of the City as a whole begins on Exhibit A. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position 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 position and changes in them. You can think of the City's net position - 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 position 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.

In the Statement of Net Position 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, parking and district heat activities 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

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(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 Financial Position and the Statement of Activities) and governmental funds on the exhibits that follow each financial statement. The City's main governmental fund is the General Fund. The Community Development Fund, the Capital Projects Fund and Other Nonmajor Governmental Funds are included in the governmental funds financial statements and schedules.

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 Financial Position 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. The City has four proprietary funds; the Water Fund, the Sewer Fund, the Parking Fund and the District Heat Fund.

Our analysis below separately considers the operations of governmental and business-type activities as well as the City as a whole.

The City as a Whole

The City's combined net position increased by \$6,532,267 from a year ago - increasing from \$43,682,358 to \$50,214,625. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities. Fiscal year 2013 was restated due to a transfer of debt.

Table 1
Net Position

	<i>June 30, 2014</i>			<i>June 30, 2013 - Restated</i>		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 7,262,628	\$ 5,913,119	\$ 13,175,747	\$ 7,316,724	\$ 1,008,662	\$ 8,325,386
Capital assets	25,589,108	43,712,589	69,301,697	21,788,552	39,541,908	61,330,460
Total assets	32,851,736	49,625,708	82,477,444	29,105,276	40,550,570	69,655,846
Long term liabilities	8,825,780	17,176,667	26,002,447	8,328,442	15,313,159	23,641,601
Other liabilities	941,653	5,318,719	6,260,372	932,839	1,399,048	2,331,887
Total liabilities	9,767,433	22,495,386	32,262,819	9,261,281	16,712,207	25,973,488
Net position:						
Invested in capital assets, net of debt	21,400,960	27,359,460	48,760,420	18,239,963	24,217,899	42,457,862
Restricted	2,493,337	2,417	2,495,754	2,426,160	2,417	2,428,577
Unrestricted	(809,994)	(231,555)	(1,041,549)	(822,128)	(381,953)	(1,204,081)
Total net position	\$ 23,084,303	\$ 27,130,322	\$ 50,214,625	\$ 19,843,995	\$ 23,838,363	\$ 43,682,358

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Table 2
Change in Net Position

	<i>June 30, 2014</i>			<i>June 30, 2013</i>		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
			Primary Government			Primary Government
REVENUES:						
Program revenues:						
Charges for services	\$ 1,033,881	\$ 7,092,526	\$ 8,126,407	\$ 970,495	\$ 6,742,163	\$ 7,712,658
Operating grants and contributions	932,205	0	932,205	949,812	0	949,812
Capital grants and contributions	2,889,871	5,836,078	8,725,949	380,452	1,819,166	2,199,618
General Revenues:						
Property taxes, penalties and interest	7,735,975	0	7,735,975	7,537,608	0	7,537,608
Payment in lieu of taxes	954,271	0	954,271	940,841	0	940,841
Unrestricted investment earnings	112,618	25,523	138,141	110,293	0	110,293
Gain (loss) on sale of capital assets	13,549	12,000	25,549	(4,995)	0	(4,995)
Other revenues	132,452	0	132,452	76,727	0	76,727
Contributions to permanent endowments	6,820	0	6,820	8,375	0	8,375
Total revenues	13,811,642	12,966,127	26,777,769	10,969,608	8,561,329	19,530,937
PROGRAM EXPENSES:						
General government	1,662,130	0	1,662,130	1,607,457	0	1,607,457
Public safety	4,536,745	0	4,536,745	4,455,692	0	4,455,692
Public works	2,799,404	0	2,799,404	2,525,163	0	2,525,163
Culture and recreation	1,107,516	0	1,107,516	1,045,957	0	1,045,957
Community development	35,462	0	35,462	9,089	0	9,089
Cemetery	188,685	0	188,685	188,072	0	188,072
Interest on long-term debt	251,392	0	251,392	239,077	0	239,077
Water	0	2,416,290	2,416,290	0	2,338,067	2,338,067
Sewer	0	3,513,938	3,513,938	0	3,295,906	3,295,906
Parking	0	757,637	757,637	0	723,882	723,882
District Heat	0	2,976,303	2,976,303	0	506,858	506,858
Total program expenses	10,581,334	9,664,168	20,245,502	10,070,507	6,864,713	16,935,220
Excess before special item and transfers	3,230,308	3,301,959	6,532,267	899,101	1,696,616	2,595,717
Transfers	10,000	(10,000)	0	10,000	(10,000)	0
Increase (decrease) in net position	\$ 3,240,308	\$ 3,291,959	\$ 6,532,267	\$ 909,101	\$ 1,686,616	\$ 2,595,717

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

The total net position of the City's governmental activities increased \$3,240,308 or 16.5%. This increase is the result of capital grants totaling \$2,369,268 for the Transit Center, flood related damages and street improvements.

The total net position of the business-type activities increased by \$3,291,959 or 13.69%. This increase is primarily due to District Heat activity.

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Governmental Activities

The City's tax rate increased from \$0.8823 to \$0.8882 per \$100 of assessed value (up .7%) from fiscal year 2013 to fiscal year 2014.

Table 3 presents the cost of each of the City's eight largest programs - general government, public safety, public works, culture and recreation, community development, water, sewer, parking and district heat - 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.

	June 30, 2014				June 30, 2013			
	Governmental Activities		Business-type Activities		Governmental Activities		Business-type Activities	
	Total Cost of Services	Net Revenues (Cost) of Services	Total Cost of Services	Net (Cost) of Services	Total Cost of Services	Net Revenues (Cost) of Services	Total Cost of Services	Net (Cost) of Services
General government	\$ 1,662,130	\$ (1,306,014)	\$ 0	\$ 0	\$ 1,607,457	\$ (1,226,051)	\$ 0	\$ 0
Public safety	4,536,745	(3,437,896)	0	0	4,455,692	(3,426,841)	0	0
Public works	2,799,404	187,915	0	0	2,525,163	(1,992,362)	0	0
Culture and recreation	1,107,516	(721,797)	0	0	1,045,957	(717,230)	0	0
Community development	35,462	(35,462)	0	0	9,089	(9,089)	0	0
Water	0	0	2,416,290	60,552	0	0	2,338,067	98,301
Sewer	0	0	3,513,938	221,436	0	0	3,295,906	255,211
Parking	0	0	757,637	(13,709)	0	0	723,882	34,538
District Heat	0	0	2,976,303	2,996,157	0	0	506,858	1,308,566
All others	440,077	(412,123)	0	0	427,149	(398,175)	0	0
Totals	\$ 10,581,334	\$ (5,725,377)	\$ 9,664,168	\$ 3,264,436	\$ 10,070,507	\$ (7,769,748)	\$ 6,864,713	\$ 1,696,616

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 \$4,714,510 which is \$419,717 lower than last year's total of \$5,134,227. Included in this year's total change in fund balance is a decrease of \$336,776 in the City's General Fund; an increase of \$35,715 in the Community Development Fund; a decrease of \$209,441 in the Capital Projects Fund and an increase of \$90,785 in Other Governmental Funds. Because the decrease in the General Fund is due to a transfer to the Capital Projects fund the overall decrease in the City's fund balance is mainly due to \$538,799 of Capital Project fund grant funds which were spent but not recognized as revenue because they were not collected within sixty (60) days after year-end.

General Fund Budgetary Highlights

When comparing budget to actual net change in fund balance for the year ended June 30, 2014, there is an unfavorable variance of \$336,776 (as presented in Exhibit F). Operating revenues less operating expenditures are favorable by \$59,539. Transfers to other funds are unfavorable by \$396,315 due to a transfer to the Capital Projects Fund of \$360,563 (beginning of year equipment reserves), \$19,858 Cemetery transfer missed when budgeting and \$17,762 in additional impact fees transferred to Parks.

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Revenue is \$257,998 more than budgeted. Although there are many variances in many revenue line items, overall, this additional revenue is grant funds of \$232,670 received for public safety equipment and \$18,011 for reimbursement of legal fees related to a public works project. Other significant favorable variances in revenue are \$40,262 in unbudgeted downtown improvement taxes, \$29,195 local payment in lieu of taxes (PILOT), \$14,574 police fines and forfeitures and \$19,685 miscellaneous revenue. Unfavorable variances in revenue are \$17,960 property taxes, \$14,908 building permits, \$11,806 recording documents, \$9,649 transfer from Community Development Fund for administrative fees, \$20,810 transfer from District Heat Fund for salary expense allocations and \$28,068 interest income.

Expenditures are over budget by \$198,459. Similar to revenue, a significant amount of the unbudgeted expenditures is related to equipment purchased with federal grant funds (\$159,969). Some of the significant unbudgeted expenditures are; \$67,544 City legal services (offset by \$18,011 reimbursement noted above), \$36,197 City Hall building maintenance (heating fuel and electric), \$99,418 police salaries, \$10,671 emergency management equipment rental, \$48,494 DPW salaries and overtime, \$15,667 DPW vehicle/equipment maintenance and \$37,301 outside agencies downtown improvement expenditures (offset by downtown improvement taxes noted above). Savings of health insurance across departments of \$132,524, Clerk office supplies \$8,232, salaries in Planning Department of \$18,784, Fire EMS professional services of \$16,004, DPW salt \$53,154, DPW concrete \$19,388 and DPW bridge maintenance \$19,347 help offset these overages in expenditures.

As noted above, employee health insurance costs are lower than anticipated and \$119,700 in funds are set aside (committed) for possible, future health reimbursement arrangement overages.

The unassigned fund balance increased from \$713,077 on June 30, 2013 to \$822,783 on June 30, 2014. This \$109,706 increase is mainly due to the decrease in nonspendable items such as inventories, note receivables and prepaid expenses. The City of Montpelier's Fund Balance Policy sets a long-term goal of an Unassigned Fund Balance that is 15% of budgeted General Fund Expenditures.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the City has \$69,301,697 compared to \$61,330,460 at June 30, 2013 invested in a broad range of capital assets, including police, fire, and department of public works equipment, buildings, park facilities, roads, bridges, water, sewer, district heat lines. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$7,971,237 over last year. This increase is related to the District Heat construction in progress and many other improvements to facilities, infrastructure and equipment.

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

	<i>June 30, 2014</i>			<i>June 30, 2013</i>		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 2,762,937	\$ 250,672	\$ 3,013,609	\$ 742,050	\$ 250,672	\$ 992,722
Capital improvements and equipment	20,880,738	33,676,143	54,556,881	19,879,395	34,576,537	54,455,932
Construction in progress	1,945,433	9,785,774	11,731,207	1,167,107	4,714,699	5,881,806
Totals	\$ 25,589,108	\$ 43,712,589	\$ 69,301,697	\$ 21,788,552	\$ 39,541,908	\$ 61,330,460

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This year's capital asset additions are:

Exchange E-mail Server	\$ 13,409
Police-Motorola Portable Radios	68,328
Police-Digital Repeater & Radio System	107,456
Police-2013 Chevy Impala	22,536
Generator-CIP	64,676
DPW-2013 MT6 Sidewalk Plow w/Sander	120,350
DPW-2014 Morbark M12R Trailer Mounted Chipper	28,800
DPW-2014 Int'l 7400 SFA 4x2 Truck	74,698
DPW-2014 Tenco Plow Pkg	57,535
DPW-Air Sweeper & 2013 Int'l 4300 Truck	196,150
DPW Generator Lean-to -CIP	3,793
DPW-Equipment Storage Bldg-Insulation & Roofing	64,600
DPW-Garage/Offices-Doors, Fire Alarm & Sprinklers	69,233
City Hall-Bell Tower Improvements	19,486
Cemetery -Roofing on Chapel	15,753
Land -15 Acres 16-18-20 Main Street	169,992
Land- .44 Acres 10 Main Street	447,935
Land- One Taylor Street	1,402,960
Infrastructure-Streets	564,956
Infrastructure-Sidewalks	272,415
Infrastructure-Storm Drain -State Street	100,803
Infrastructure-Flood & Slide Marvin St Project	61,900
Infrastructure-Winooski Flood Prevention Work	2,931
Infrastructure-Flood Repairs-Barre Street Culvert-CIP	570,315
Infrastructure-Retaining Walls	52,565
Infrastructure-CV Bike Path-CIP	223,602
Infrastructure-Carr Lot-CIP	158,622
Water-2 vehicles 50%	23,483
Water -Metrotech Correlator	16,195
Water -Pump #1 & #4 Repairs	20,684
Water System Improvements -In Progress	94,495
Sewer-2 vehicles 50%	23,483
Sewer -Penn Valley Pump & Switches	22,440
Sewer -River St Line - In Progress	560,489
District Heat Project-In Progress	4,596,541
	<u>\$ 10,313,609</u>

CITY OF MONTPELIER, VERMONT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Long Term - Debt

At June 30, 2014, the City has \$23,564,221 in bonds and notes outstanding versus \$23,246,619 on June 30, 2013 - an increase of \$317,602 - as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Balance at				Balance at	
	June 30, 2013	Additions	Reductions		June 30, 2014	
<i>Notes, capital leases and bonds payable:</i>						
Governmental activities	\$ 8,243,627	\$ 1,110,000	\$ 861,136		\$ 8,492,491	
Proprietary Funds	15,002,992	3,192,189	1,123,451		17,071,730	
Totals	\$ 23,246,619	\$ 4,302,189	\$ 1,984,587		\$ 25,564,221	

New debt in Governmental activities resulted from loans for the City's multi-modal transit center project (\$400,000) and street improvements (\$710,000). New debt in Proprietary Funds was for the District Heat project (\$314,940) and sewer line improvements (\$670,000).

In the current fiscal year, previous bond debt with a balance due of \$207,249 at July 1, 2013 for the District Heat project that was recorded in the government-wide financial statements was transferred to the District Heat Proprietary Fund and is shown as a reduction in Governmental activities and as an addition in Proprietary Funds in Table 5 above.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider economic factors and the community's priorities when setting the fiscal year 2015 budget, property tax rates, and fees that will be charged for the business-type activities.

Economic factors considered include the unemployment in the City, which stood at 4% (August 2013) compared with 5.3% (August 2012). Also considered was the Consumer Price Index percent change over one year (August 2012-August 2013) which was 2%. Montpelier's estimated household income in 2012 was \$59,255 which is higher than the Vermont average of \$52,977. Montpelier's estimated median house or condo value in 2012 was \$209,362 which is lower than the Vermont average of \$216,900. The City's population is 7,787 with slight decreases over the past few years.

In recent years, the City of Montpelier's budgets contained no appreciable annual revenue growth or increase in taxable property. Annually, costs rise and demands for services remain. The combination of a slow-growing economy, little growth in the grand list and Montpelier's relatively high property tax rates, has resulted in a council goal to produce budgets with tax rate increases at or below inflation. The 2015 municipal budget provides for an increase equivalent to the change in the consumer price index, with all additional revenues dedicated to infrastructure investments.

The City met the budgeting fiscal challenges by keeping General Fund personnel unchanged from the year before. The City Council is in the second year of a multiyear capital plan to rebuild and maintain the city's infrastructure. The FY15 municipal budget requires a 1.3 cent tax rate increase which, at 1.3% is less than the 2% inflation rate for 2013. The municipal tax rate for fiscal year 2015 is \$0.9767 per \$100 of property value.

CITY OF MONTPELIER, VERMONT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Looking ahead, the City is partnering with federal and state agencies to study flood mitigation measures to alleviate the threat of damages due to ice-jam flooding of the Winooski River in the downtown area. The installation of flood gauges significantly improves the City's ability to monitor the river water levels. A new flood mitigation project, which was completed in March of 2012, reduces the risk of ice-jam flooding. The City also is moving ahead with two other grant-funded projects; a new transit center on Taylor Street and a bike path through the city.

In addition to balancing and controlling the municipal budget, taxes and services, the City Council has identified the goals of being a bike and pedestrian friendly city and becoming the first "net zero capital city".

As for the City's business-type activities, Water and sewer rates increased very slightly effective July 1, 2014. The combination of users' water conservation and the lack of growth in numbers of users provide challenges to the Water and Sewer Funds. The Water and Sewer Rate Committee continues to work on a new rate structure to assure annual revenues will be generated to cover all costs and eliminate previous years' deficits in the Water Fund. The 2014-15 heating season is the first full year of complete operation for the City's District Heat utility which partners with state's bio-mass heating plant. Parking fees were increased substantially in early 2014, to secure financial stability for the Parking Fund and to provide funding for alternative transportation initiatives.

Current quarterly water rates are as follows: \$7.73 per 1,000 for the first 50,000 gallons, \$8.21 per 1,000 for the next 200,000 gallons, \$13.32 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 \$39.50.

Current quarterly sewer rates are as follows: \$8.72 per 1,000 gallons of water used and a fixed charge for all for meter reading, billing and other administrative service costs of \$41.00.

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 6, Montpelier, VT 05602.

CITY OF MONTPELIER, VERMONT
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 2,384,876	\$ 50	\$ 2,384,926
Investments	1,031,055	0	1,031,055
Receivables (net of allowance for uncollectibles)	1,125,599	7,080,701	8,206,300
Loans receivable	1,002,878	0	1,002,878
Note receivable	81,775	0	81,775
Deposits	0	1,600	1,600
Prepaid expenses	154,836	21,156	175,992
Inventories	128,573	162,648	291,221
Internal balances	1,353,036	(1,353,036)	0
Capital assets:			
Land	2,762,937	250,672	3,013,609
Construction in progress	1,945,433	9,785,774	11,731,207
Other capital assets, (net of accumulated depreciation)	20,880,738	33,676,143	54,556,881
Total assets	32,851,736	49,625,708	82,477,444
Liabilities:			
Accounts payable	620,883	133,962	754,845
Construction payable	0	2,351,116	2,351,116
Due to State of Vermont	0	2,602,640	2,602,640
Accrued payroll and related expenses	221,469	54,238	275,707
Unearned grant revenue	26,526	0	26,526
Unearned fees and charges for services revenue	28,215	127,964	156,179
Accrued interest	44,560	48,799	93,359
Noncurrent liabilities:			
Due within one year	613,348	1,172,129	1,785,477
Due in more than one year	8,212,432	16,004,538	24,216,970
Total liabilities	9,767,433	22,495,386	32,262,819
Net position:			
Invested in capital assets, net of related debt	21,400,960	27,359,460	48,760,420
Restricted	2,493,337	2,417	2,495,754
Unrestricted	(809,994)	(231,555)	(1,041,549)
Total net position	\$ 23,084,303	\$ 27,130,322	\$ 50,214,625

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 1,662,130	\$ 164,203	\$ 191,913	\$ 0	\$ (1,306,014)	\$ 0	\$ (1,306,014)
Public safety	4,536,745	577,557	361,323	159,969	(3,437,896)	0	(3,437,896)
Public works	2,799,404	188,119	272,853	2,526,347	187,915	0	187,915
Culture and recreation	1,107,516	76,048	106,116	203,555	(721,797)	0	(721,797)
Community development	35,462	0	0	0	(35,462)	0	(35,462)
Cemetery	188,685	27,954	0	0	(160,731)	0	(160,731)
Interest on long-term debt	251,392	0	0	0	(251,392)	0	(251,392)
Total governmental activities	10,581,334	1,033,881	932,205	2,889,871	(5,725,377)	0	(5,725,377)
Business-type activities:							
Water	2,416,290	2,471,842	0	5,000	0	60,552	60,552
Sewer	3,513,938	3,735,374	0	0	0	221,436	221,436
Parking	757,637	743,928	0	0	0	(13,709)	(13,709)
District Heat	2,976,303	141,382	0	5,831,078	0	2,996,157	2,996,157
Total business-type activities	9,664,168	7,092,526	0	5,836,078	0	3,264,436	3,264,436
Total	\$ 20,245,502	\$ 8,126,407	\$ 932,205	\$ 8,725,949	(5,725,377)	3,264,436	(2,460,941)
General revenues:							
Property taxes, penalties and interest					7,735,975	0	7,735,975
Payment in lieu of taxes					954,271	0	954,271
Unrestricted investment earnings					112,618	25,523	138,141
Gain (loss) on sale of equipment					13,549	12,000	25,549
Other revenues					132,452	0	132,452
Contributions to Permanent Endowments					6,820	0	6,820
Transfers					10,000	(10,000)	0
Total general revenues and transfers					8,965,685	27,523	8,993,208
Change in net position					3,240,308	3,291,959	6,532,267
Net Position - July 1, 2013					19,635,754	24,046,604	43,682,358
Reclassification of district heat loan and interest payable					208,241	(208,241)	0
Net Position after reclassification - July 1, 2013					19,843,995	23,838,363	43,682,358
Net Position - June 30, 2014					\$ 23,084,303	\$ 27,130,322	\$ 50,214,625

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Balance Sheet and Reconciliation to the Statement of Net Position
Governmental Funds
June 30, 2014

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash	\$ 2,013,352	\$ 341,574	\$ 0	\$ 29,950	\$ 2,384,876
Investments	39,310	0	0	991,745	1,031,055
Receivables (net of allowance for uncollectibles)	381,147	15,000	714,327	15,125	1,125,599
Interfund loans receivable	0	160,340	0	0	160,340
Loans (net of allowance for uncollectibles)	0	723,878	0	279,000	1,002,878
Note receivable	81,775	0	0	0	81,775
Prepaid expenses	41,004	0	113,219	613	154,836
Inventories	128,165	0	0	408	128,573
Due from other funds	0	0	1,687,301	651,011	2,338,312
Total assets	\$ 2,684,753	\$ 1,240,792	\$ 2,514,847	\$ 1,967,852	\$ 8,408,244
Liabilities, deferred inflows of resources, and fund balances					
Liabilities:					
Accounts payable	\$ 402,541	\$ 21,975	\$ 159,938	\$ 36,429	\$ 620,883
Accrued payroll and related expenses	206,914	0	0	14,555	221,469
Unearned grants	24,276	0	0	2,250	26,526
Unearned fees and charges for services	3,416	0	0	24,799	28,215
Interfund loans payable	0	0	0	160,340	160,340
Due to other funds	589,762	0	0	395,514	985,276
Total liabilities	1,226,909	21,975	159,938	633,887	2,042,709
Deferred inflows of resources:					
Unavailable revenue -taxes	114,787	0	0	0	114,787
Unavailable fees and charges for services	12,284	0	0	0	12,284
Unavailable revenue -grants	0	0	538,779	0	538,779
Unavailable revenue-loans receivable	0	706,175	0	279,000	985,175
Total deferred inflows of resources	127,071	706,175	538,779	279,000	1,651,025
Fund balances (deficit):					
Nonspendable for:					
Inventories	128,165	0	0	0	128,165
Note receivable	81,775	0	0	0	81,775
Prepays	41,004	0	0	0	41,004
Trustees of public funds	0	0	0	481,430	481,430
Restricted, reported in:					
General Fund	121,682	0	0	0	121,682
Community Development Fund	0	354,635	0	0	354,635
Capital Projects Funds	0	0	1,426,142	0	1,426,142
Special Revenue Funds	0	0	0	150,408	150,408
Trustees of public funds	0	0	0	395,706	395,706
Committed, reported in:					
General Fund	135,364	0	0	0	135,364
Community Development Fund	0	158,007	0	0	158,007
Capital Projects Funds	0	0	969,285	0	969,285
Special Revenue Funds	0	0	0	189,233	189,233
Unassigned, reported in:					
General Fund	822,783	0	0	0	822,783
Capital Projects Fund	0	0	(579,297)	0	(579,297)
Special Revenue Funds	0	0	0	(161,812)	(161,812)
Total fund balances	1,330,773	512,642	1,816,130	1,054,965	4,714,510
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,684,753	\$ 1,240,792	\$ 2,514,847	\$ 1,967,852	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					25,589,108
Other assets are not available to pay for current-period expenditures, and, therefore, are unavailable in the funds.					1,651,025
Long-term and accrued liabilities, are not due or payable in the current period and, therefore, are not reported in the funds.					(8,870,340)
Net position of governmental activities					\$ 23,084,303

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, penalties and interest	\$ 8,486,610	\$ 0	\$ 0	\$ 0	\$ 8,486,610
Permits and licenses	68,088	0	0	0	68,088
Intergovernmental	1,144,703	15,000	2,369,268	4,218	3,533,189
Fees and charges for services	1,736,420	0	0	109,072	1,845,492
Fines and forfeitures	40,949	0	0	0	40,949
Investment income	10,832	10,871	0	90,915	112,618
Contributions	1,610	0	0	86,898	88,508
Rents and commissions	350	0	59,392	9,350	69,092
Equipment revenues	115,187	0	0	0	115,187
Loan principal repayments	0	70,363	0	0	70,363
Other revenues	63,697	318	54,118	14,319	132,452
Total revenues	11,668,446	96,552	2,482,778	314,772	14,562,548
Expenditures:					
General government	2,264,134	0	64,457	0	2,328,591
Public safety	4,326,592	0	7,119	0	4,333,711
Public works	2,151,495	0	155,050	0	2,306,545
Culture and recreation	524,724	0	8,661	527,131	1,060,516
Community development	0	60,837	0	0	60,837
Cemetery	0	0	0	177,370	177,370
Capital outlay;					
General government	0	0	32,895	15,753	48,648
Public safety	159,969	0	38,351	0	198,320
Public works	0	0	4,683,830	0	4,683,830
Debt service - principal	631,643	0	10,579	11,665	653,887
Debt service - interest	229,199	0	7,601	15,078	251,878
Total expenditures	10,287,756	60,837	5,008,543	746,997	16,104,133
Excess (deficiency) of revenues over expenditures	1,380,690	35,715	(2,525,765)	(432,225)	(1,541,585)
Other financing sources (uses):					
Debt proceeds	0	0	1,110,000	0	1,110,000
Proceeds from sale of equipment	1,868	0	0	0	1,868
Transfers from other funds	0	0	1,206,324	623,568	1,829,892
Transfers to other funds	(1,719,334)	0	0	(100,558)	(1,819,892)
Total other financing sources (uses)	(1,717,466)	0	2,316,324	523,010	1,121,868
Net change in fund balances	(336,776)	35,715	(209,441)	90,785	(419,717)
Fund balances - July 1, 2013	1,667,549	476,927	2,025,571	964,180	5,134,227
Fund balances - June 30, 2014	\$ 1,330,773	\$ 512,642	\$ 1,816,130	\$ 1,054,965	\$ 4,714,510

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances,
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2014

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

<i>Net change in fund balances - total government funds (Exhibit D)</i>	\$ (419,717)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$4,930,798) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$1,141,923). This is the amount by which capital outlays exceeded depreciation in the current period.	3,788,875
The net effect of various transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	11,681
Long term community development loans payments are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	(70,363)
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	19,636
Revenues are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	407,048
The issuance of long-term debt (\$1,110,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt (\$653,887) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(456,113)
In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(41,225)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	486
<i>Change in net position, governmental activities (Exhibit B)</i>	\$ 3,240,308

To eliminate the doubling up of internal service charges between the Governmental Activities and the Business-type activities on the statement of activities, the charges for services was decreased by \$1,095,401, the general government expenses was decreased by \$812,396 and the public works was decreased by \$283,005.

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes, penalties and interest	\$ 8,441,855	\$ 8,486,610	\$ 44,755
Intergovernmental	889,384	1,144,703	255,319
Fees and charges for services	2,079,209	2,037,133	(42,076)
Total revenues	11,410,448	11,668,446	257,998
Expenditures:			
City Council operations	34,465	31,734	2,731
City Manager's office	385,322	452,866	(67,544)
Clerk/Treasurer/Elections	186,917	164,579	22,338
Finance Department	455,316	438,759	16,557
Technology services	225,054	222,978	2,076
Property assessment	175,240	167,323	7,917
Planning and development	340,279	310,665	29,614
City Hall maintenance	192,631	228,828	(36,197)
Police:			
General	1,569,248	1,668,666	(99,418)
Communications	542,756	507,963	34,793
School Resource Officer	94,327	89,990	4,337
Community Justice Center	112,948	113,000	(52)
Re-Entry Program	136,701	130,983	5,718
Fire and ambulance	1,743,642	1,707,701	35,941
Code/health enforcement	89,483	82,689	6,794
Emergency management	14,929	25,600	(10,671)
Public works:			
Streets	1,555,264	1,531,717	23,547
Fleet operations	578,401	563,136	15,265
Building operations	67,550	56,642	10,908
Wrightsville Beach	4,007	4,007	0
Kellogg-Hubbard Library	308,673	308,673	0
Outside agencies in budget	109,375	144,351	(34,976)
Community enhancements	28,500	27,783	717
Tree management and Board	37,794	36,410	1,384
Conservation Commission	5,750	3,500	2,250
Other governmental service	161,214	156,864	4,350
Tax abatement	60,000	71,510	(11,510)
Miscellaneous expense	3,600	4,678	(1,078)
Montpelier Alive Holiday Shopping Promotion	0	12,000	(12,000)
Bad Debt Expense	0	1,350	(1,350)
Capital outlay:			
Public safety	0	159,969	(159,969)
Debt service - principal	632,889	631,643	1,246
Debt service - interest	237,022	229,199	7,823
Total expenditures	10,089,297	10,287,756	(198,459)
Excess (deficiency) of revenues over expenditures	1,321,151	1,380,690	59,539
Other financing sources (uses):			
Proceeds from sale of equipment	0	1,868	1,868
Transfer to other funds:			
Capital Projects	(845,761)	(1,206,324)	(360,563)
Cemetery	(111,726)	(131,584)	(19,858)
Parks	(155,389)	(173,151)	(17,762)
Senior Center	(157,475)	(157,475)	0
Events Fund	(9,800)	(9,800)	0
Affordable Housing Fund	(41,000)	(41,000)	0
Total other financing sources (uses)	(1,321,151)	(1,717,466)	(396,315)
Net change in fund balance	\$ 0	(336,776)	\$ (336,776)
Fund balance - July 1, 2013		1,667,549	
Fund balance - June 30, 2014		\$ 1,330,773	

See accompanying notes to financial statements.

CITY OF MONTPELIER
Statement of Net Position
Proprietary Funds
June 30, 2014

	Water Fund	Sewer Fund	Parking Fund	District Heat Fund	Total
Assets:					
Current assets:					
Cash	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
Receivables (net of allowance for uncollectibles)	694,732	642,362	33,937	5,709,670	7,080,701
Due from other funds	0	428,497	140,228	0	568,725
Deposits	0	0	1,600	0	1,600
Prepaid expenses	0	0	21,156	0	21,156
Inventory	116,039	46,609	0	0	162,648
Total current assets	810,771	1,117,468	196,971	5,709,670	7,834,880
Noncurrent assets:					
Capital assets:					
Land	32,000	0	218,672	0	250,672
Buildings	11,557,678	9,824,589	0	0	21,382,267
Improvements	10,598,873	21,592,926	273,495	0	32,465,294
Equipment and vehicles	908,099	1,063,543	151,828	0	2,123,470
Construction in Progress	0	630,301	0	9,155,473	9,785,774
Accumulated depreciation	(7,411,756)	(14,565,002)	(318,130)	0	(22,294,888)
Total noncurrent assets	15,684,894	18,546,357	325,865	9,155,473	43,712,589
Total assets	\$ 16,495,665	\$ 19,663,825	\$ 522,836	\$ 14,865,143	\$ 51,547,469
Liabilities:					
Current liabilities:					
Accounts payable	\$ 23,103	\$ 97,126	\$ 10,154	\$ 3,579	\$ 133,962
Construction payable	0	114,142	0	2,236,974	2,351,116
Due to State of Vermont	0	0	0	2,602,640	2,602,640
Due to other funds	871,408	0	0	1,050,353	1,921,761
Accrued payroll and related expenses	17,979	23,294	12,965	0	54,238
Unearned fees and charges for services revenue	4,784	0	0	123,180	127,964
Accrued interest payable	27,259	20,568	0	972	48,799
Capital leases - current portion	5,145	14,922	0	0	20,067
Bonds & notes payable - current portion	490,519	648,588	0	12,955	1,152,062
Total current liabilities	1,440,197	918,640	23,119	6,030,653	8,412,609
Noncurrent liabilities:					
Capital leases - long-term portion	16,895	48,994	0	0	65,889
Bonds & notes payable - long-term portion	5,978,864	6,731,009	192,500	2,931,339	15,833,712
Accrued compensated absences	47,716	40,855	16,366	0	104,937
Total noncurrent liabilities	6,043,475	6,820,858	208,866	2,931,339	16,004,538
Total liabilities	7,483,672	7,739,498	231,985	8,961,992	24,417,147
Net position:					
Invested in capital assets, net of related debt	9,490,971	11,503,082	325,865	6,039,542	27,359,460
Restricted	0	0	2,417	0	2,417
Unrestricted/(deficit)	(478,978)	421,245	(37,431)	(136,391)	(231,555)
Total net position	9,011,993	11,924,327	290,851	5,903,151	27,130,322
Total liabilities and net position	\$ 16,495,665	\$ 19,663,825	\$ 522,836	\$ 14,865,143	\$ 51,547,469

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Water Fund	Sewer Fund	Parking Fund	District Heat Fund	Total
Operating revenues:					
Charges for services	\$ 2,433,463	\$ 3,709,201	\$ 743,928	\$ 141,382	\$ 7,027,974
Interest and penalties	25,406	23,720	0	0	49,126
Miscellaneous	12,973	2,453	0	0	15,426
Total Operating Revenues	2,471,842	3,735,374	743,928	141,382	7,092,526
Operating expenses:					
Administration	497,458	414,449	0	69,243	981,150
Supplies and treatment	461,040	1,716,520	0	0	2,177,560
Wastewater management	0	98,800	0	0	98,800
Distribution system	472,196	0	0	0	472,196
Collection system	0	460,262	0	0	460,262
Delinquent collection	15,573	16,458	0	0	32,031
Meter operations	59,482	0	0	0	59,482
Private sewer system maintenance	0	5,755	0	0	5,755
Parking enforcement	0	0	518,417	0	518,417
Parking lot leases	0	0	93,579	0	93,579
Parking lot maintenance	0	0	116,143	0	116,143
District heat operating expenses	0	0	0	181,895	181,895
Depreciation expense	535,307	633,339	16,984	0	1,185,630
Total operating expenses	2,041,056	3,345,583	745,123	251,138	6,382,900
Net operating income (loss)	430,786	389,791	(1,195)	(109,756)	709,626
Nonoperating revenues (expenses):					
Interest expense	(375,234)	(168,355)	(12,514)	(26,635)	(582,738)
Interest income	0	25,523	0	0	25,523
Sub-recipient grant expense	0	0	0	(2,698,530)	(2,698,530)
Gain on sale of equipment	6,750	5,250	0	0	12,000
Transfers from other funds	12,500	0	0	0	12,500
Transfers to other funds	0	(12,500)	(10,000)	0	(22,500)
Total nonoperating revenues (expenses)	(355,984)	(150,082)	(22,514)	(2,725,165)	(3,253,745)
Net income (loss) before contributions	74,802	239,709	(23,709)	(2,834,921)	(2,544,119)
Capital contributions	5,000	0	0	5,831,078	5,836,078
Change in net position	79,802	239,709	(23,709)	2,996,157	3,291,959
Net position - July 1, 2013	8,932,191	11,684,618	314,560	3,115,235	24,046,604
Reclassification of district heat loan and interest payable	0	0	0	(208,241)	(208,241)
Net position after reclassification - July 1, 2013	8,932,191	11,684,618	314,560	2,906,994	23,838,363
Net position - June 30, 2014	\$ 9,011,993	\$ 11,924,327	\$ 290,851	\$ 5,903,151	\$ 27,130,322

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Water Fund	Sewer Fund	Parking Fund	District Heat Fund	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 2,489,971	\$ 3,767,192	\$ 733,302	\$ 264,562	\$ 7,255,027
Receipts from interfund services	0	0	25,818	0	25,818
Payments to suppliers	(436,723)	(1,351,074)	(201,005)	(247,559)	(2,236,361)
Payments for interfund services	(403,375)	(526,513)	(68,296)	0	(998,184)
Payments for wages and benefits	(660,196)	(823,861)	(453,746)	0	(1,937,803)
Net cash provided by operating activities	989,677	1,065,744	36,073	17,003	2,108,497
Cash Flows from Noncapital Financing Activities:					
Decrease (increase) in due from other funds	0	(428,497)	(13,559)	0	(442,056)
(Decrease) increase in due to other funds	(9,452)	(27,361)	0	(164,249)	(201,062)
Transfers received from other funds	12,500	0	0	0	12,500
(Decrease) increase in accrued interest	(3,942)	1,020	0	(20)	(2,942)
Transfers paid to other funds	0	(12,500)	(10,000)	0	(22,500)
Interest receipts on interfund balances	0	25,523	0	0	25,523
Interest payments on interfund balances	(32,931)	0	0	0	(32,931)
Net cash provided by (used in) noncapital financing activities	(33,825)	(441,815)	(23,559)	(164,269)	(663,468)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(154,858)	(492,269)	0	(3,121,158)	(3,768,285)
Proceeds from sale of equipment	6,750	6,750	0	0	13,500
Receipts from capital grants	5,000	0	0	1,527,964	1,532,964
Sub-recipient grant payments	0	0	0	(534,890)	(534,890)
Proceeds from long term debt	0	670,000	0	2,314,940	2,984,940
Principal payments on general obligation bonds and leases	(470,440)	(640,055)	0	(12,955)	(1,123,450)
Interest payments on general obligation bonds and leases	(342,304)	(168,355)	(12,514)	(26,635)	(549,808)
Net cash used in capital and related financing activities	(955,852)	(623,929)	(12,514)	147,266	(1,445,029)
Net Increase in Cash	0	0	0	0	0
Cash - July 1, 2013	0	0	50	0	50
Cash - June 30, 2014	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50
Adjustments to reconcile operating income to net cash provided by operating activities:					
Net operating income (loss)	\$ 430,786	\$ 389,791	\$ (1,195)	\$ (109,756)	\$ 709,626
Depreciation expense	535,307	633,339	16,984	0	1,185,630
Decrease (increase) in accounts receivable	17,649	31,818	15,192	0	64,659
Decrease (increase) in prepaid expenses	458	586	171	0	1,215
Decrease (increase) in inventory	(533)	(23,566)	0	0	(24,099)
(Decrease) increase in accounts payable	2,757	31,241	2,649	3,579	40,226
(Decrease) increase in accrued payroll	1,486	2,265	1,810	0	5,561
(Decrease) increase in unearned fees and charges for services revenue	480	0	0	123,180	123,660
(Decrease) increase in accrued vacation	1,287	270	462	0	2,019
Net cash provided by operating activities	\$ 989,677	\$ 1,065,744	\$ 36,073	\$ 17,003	\$ 2,108,497

Non-cash transactions:

None

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

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.

1.a. 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 Mount 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. 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.

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 the powers of a Vermont town school district except the power to call elections or take property.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

1.a. The Financial Reporting Entity (continued)

- 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.

1.b. Basis of Presentation

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

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 presents 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 presents a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government. 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.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

1.b. Basis of Presentation (continued)

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

The City reports on the following major governmental funds:

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

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

Capital Projects Fund - This Fund is used to account for major capital project activities by the City.

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.

District Heat Fund This fund accounts for the operations of District Heat Department.

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.

1.c. Measurement Focus

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

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 restricted, committed, assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

1.d. Basis of Accounting

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

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

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 positions 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.

1.e. Use of Estimates

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

1.f. Assets, Liabilities and Equity

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.

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 financial statements. Unrealized gains and losses are included in revenue.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

1.f. Assets, Liabilities and Equity (continued)

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.

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.

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.

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 ended 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:

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

1.f. Assets, Liabilities and Equity (continued)

Capital Assets (continued)

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$10,000	N/A
Buildings	\$10,000	40-100 years
Building Improvements	\$10,000	20-75 years
Improvements	\$10,000	15-75 years
Equipment and Vehicles	\$10,000	5-20 years
Infrastructure	\$10,000	10-25 years

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

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 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.

Unavailable Revenue

Unavailable revenue consists of delinquent taxes, grant, community development and housing trust loans and other receivables not collected within 60 days after year end.

Deferred Inflows of Resources

In July of 2013, the City implemented GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*, which reports a separate section for deferred inflows of resources in the City's governmental funds. This separate financial statement element reflects an increase in net position that applies to a future period. The City will recognize the related revenues when a future event occurs. The City has four items which occurs because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the City's fiscal year) under the modified accrual basis of accounting that qualifies reporting in this category. Accordingly, unavailable property tax, ambulance and grant revenue and community development and housing trust loans receivable (formerly all deferred revenue) are reported in the governmental funds balance sheet. The City did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

Long-term Liabilities

Long-term liabilities include notes, bonds and leases 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 statements use the current financial resources measurement focus and generally only include current assets and liabilities on their balance sheets.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

1.f. Assets, Liabilities and Equity (continued)

Fund Equity

Fund balances and net position are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are classified into five categories. Nonspendable fund balance consists of funds that are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances and net position consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the City Council). Assigned fund balances are amounts that are set aside with the intent to be used for a specific purpose by the City Council, a committee, or an official to which the governing body has delegated authority to assign amounts (the City Manager). Unassigned fund balances are available for future appropriations.

As a result of the implementation of GASB#63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" the government-wide and proprietary financial statements now use the term "net position" in place of "net assets". Net position is the residual of all other elements presented in a Statement of Net Position.

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 occur. Long-term expense differences arise because governmental funds report expenditures (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 an other financing source, 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 proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

3. Stewardship, Compliance and Accountability

3.a. Budgetary Information

During December 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. In January, the Council finalizes a proposed budget to present to the City's residents. Public hearings are then conducted to obtain taxpayer comments.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

3. Stewardship, Compliance and Accountability (continued)

3.a. Budgetary Information (Continued)

Annually, on the first Tuesday in March, the voters authorize a specific sum of budgeted tax appropriation for the support of all 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.

There is no approved budget for the Community Development Fund.

3.b. Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in the General Fund by \$198,459. This was primarily due to the purchase of communications equipment totaling \$159,969 which was funded 100% by grant proceeds. City legal fees were also higher than budgeted by \$67,544 of which \$18,000 were funded by grant proceeds in the current fiscal year and \$25,000 grant funds will be recognized in fiscal year 2015.

4. Detailed Notes on All Funds

4.a. Deposits and Investments

Cash - Deposits with Financial Institutions	\$ 2,384,326
Cash on Hand	600
Total Cash	2,384,926
Investments - Certificates of Deposit	87,986
Money Market Mutual Funds	55,794
Mutual Funds - Mixed Holdings	105,725
Mutual Funds - Bonds	627,944
Mutual Funds - Stocks	151,550
Corporate Stock	2,056
Total Investments	1,031,055
Total Cash and Investments	\$ 3,415,981

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.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.a. Deposits and Investments (continued)

Investment Policy (continued)

- (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 will do 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.

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 City's certificates of deposit are not subject to interest rate risk disclosure. Corporate stock is exempt from this analysis.

Investment Type	Remaining Maturity (In Years)					Total
	0-1	1-5	6-10	Data not Available	N/A	
Certificates of Deposit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,986	\$ 87,986
Money Market Mutual Funds	55,794	0	0	0	0	55,794
Mutual Funds - Mixed Holdings	0	0	0	105,725	0	105,725
Mutual Funds - Bonds	0	251,017	376,927	0	0	627,944
Mutual Funds - Stocks	0	0	0	0	151,550	151,550
Corporate Stock	0	0	0	0	2,056	2,056
	\$ 55,794	\$ 251,017	\$ 376,927	\$ 105,725	\$ 241,592	\$ 1,031,055

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.a. Deposits and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The 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.

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	\$ 616,053	\$ 615,930
Collateralized Pledged Restricted Securities	1,451,559	1,952,459
Uninsured, Collateralized	310,342	310,342
Uninsured, Uncollateralized	94,358	94,845
Total Deposits	\$ 2,472,312	\$ 2,973,576

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

Deposits are comprised of the following:

Cash – Deposits with Financial Institutions	\$ 2,384,326
Investments – Certificate of Deposits	87,986
Total	\$ 2,472,312

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.b. Receivables

Receivables at June 30, 2014, as reported in the Statement of Net Position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes, Penalties and Interest	\$ 162,937	\$ 0	\$ 162,937
Ambulance	95,703	0	95,703
Parking Tickets	0	227,997	227,997
Accounts Receivable	121,909	605,985	727,894
Grants	766,226	5,232,146	5,998,372
Billed Services	0	189,766	189,766
Unbilled Services	0	1,025,807	1,025,807
Other Receivables	32,424	0	32,424
Allowance for Doubtful Accounts	(53,600)	(201,000)	(254,600)
	\$ 1,125,599	\$ 7,080,701	\$ 8,206,300

4.c. 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 five 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%.

	\$ 3,107,336
Notes receivable, six (6) housing loans, 0% interest, due upon any conveyance or transfer of condominium units.	122,000
Total	3,229,336
Less allowance for doubtful loans	(2,226,458)
	\$ 1,002,878

Changes in loans receivable for the year ended June 30, 2014 were as follows:

Beginning Balance	Additions	Deletions	Ending Balance
\$ 3,274,005	\$ 25,000	\$ 69,669	\$ 3,229,336

4.d. Note 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, 2014 was \$81,775. This loan is secured by a building. The current principal due over the next twelve months is \$32,889. Subsequent to year end, the note receivable was paid in full on December 4, 2014.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.e. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 742,050	2,020,887	0	\$ 2,762,937
Construction in progress	1,167,107	955,470	177,144	1,945,433
Total capital assets, not being depreciated	1,909,157	2,976,357	177,144	4,708,370
Capital assets being depreciated:				
Buildings and building improvements	8,790,466	169,072	0	8,959,538
Vehicles and equipment	5,551,354	757,731	88,794	6,220,291
Infrastructure	13,355,237	1,229,782	0	14,585,019
Totals	27,697,057	2,156,585	88,794	29,764,848
Less accumulated depreciation for:				
Buildings and building improvements	2,555,309	219,280	0	2,774,589
Vehicles and equipment	3,300,274	396,291	75,475	3,621,090
Infrastructure	1,962,079	526,352	0	2,488,431
Totals	7,817,662	1,141,923	75,475	8,884,110
Total capital assets, being depreciated	19,879,395	1,014,662	13,319	20,880,738
Governmental activities capital assets, net	\$ 21,788,552	3,991,019	190,463	\$ 25,589,108
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 250,672	0	0	\$ 250,672
Construction in progress	4,714,699	5,157,030	85,955	9,785,774
Total capital assets, not being depreciated	4,965,371	5,157,030	85,955	10,036,446
Capital Assets Being Depreciated:				
Buildings	21,382,267	0	0	21,382,267
Improvements	32,284,844	180,450	0	32,465,294
Equipment and vehicles	2,054,409	106,286	37,225	2,123,470
Total capital assets, being depreciated	55,721,520	286,736	37,225	55,971,031
Less accumulated depreciation for:				
Buildings	5,540,465	414,727	0	5,955,192
Improvements	14,385,552	660,054	0	15,045,606
Equipment and vehicles	1,218,966	110,849	35,725	1,294,090
Totals	21,144,983	1,185,630	35,725	22,294,888
Total capital assets, being depreciated	34,576,537	(898,894)	1,500	33,676,143
Business-type activities capital assets, net	\$ 39,541,908	4,258,136	87,455	\$ 43,712,589

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.e. Capital Assets (continued)

Depreciation was charged as follows:

<i>Governmental Activities:</i>		<i>Business - Type Activities:</i>	
General Government	\$ 132,194	Water	\$ 535,307
Public Safety	189,292	Sewer	633,339
Public Works	762,122	Parking	16,984
Culture and Recreation	47,000	District Heat	0
Cemetery	11,315		
	<u>\$ 1,141,923</u>		<u>\$ 1,185,630</u>

4.f. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2014 is as follows:

Fund	Receivable Fund	Payable Fund
General Fund	\$ 0	\$ 589,762
Capital Projects Fund	1,687,301	0
Other Governmental Funds	651,011	395,514
Water Fund	0	871,408
Sewer Fund	428,497	0
Parking Fund	140,228	0
District Heat Fund	0	1,050,353
Total due to/from other funds	\$ 2,907,037	\$ 2,907,037

Interfund transfers during the year ended June 30, 2014 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Projects Fund	\$ 523,474	Budgetary Authorization
General Fund	Capital Projects Fund	322,287	Board Authorized Transfer
General Fund	Capital Projects Fund	360,563	Board Authorized Transfer
General Fund	Green Mount Cemetery Fund	111,726	Budgetary Authorizations
General Fund	Green Mount Cemetery Fund	19,858	Board Authorized Transfer
General Fund	Montpelier Parks Commission	155,389	Budgetary Authorizations
General Fund	Montpelier Parks Commission	17,762	Board Authorized Transfer
General Fund	Montpelier Events Fund	9,800	Budgetary Authorization
General Fund	Montpelier Housing Trust Fund	41,000	Budgetary Authorization
General Fund	Senior Center	157,475	Budgetary Authorization
Expendable Cemetery Trust Fund	Green Mount Cemetery Fund	27,000	Budgetary Authorization
Non-Expendable Cemetery Trust Fund	Expendable Cemetery Trust Fund	73,513	Investment Income Transfer
Hubbard Park Trust Fund	Montpelier Parks Commission Fund	45	Interest Income Transfer
Sewer Fund	Water Fund	12,500	Budgetary Authorizations
Parking Fund	Green Mount Cemetery Fund	10,000	Budgetary Authorization
Total		\$ 1,842,392	

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.f. Interfund Receivables, Payables and Transfers (continued)

Interfund loan balances at June 30, 2014 were as follows:

	Community Development Fund Receivable	Senior Citizens Fund Payable
Community Development (Capital Plaza) loan of \$114,850, interest at 3.25% per annum, monthly installments of \$651.42, due July 15, 2012 to July 15, 2032	\$ 106,421	\$ (106,421)
Community Development (ADA) loan of \$60,000, interest at 4% per annum, monthly installments of \$443.81, due July 15, 2012 to July 15, 2027	53,919	(53,919)
Total of interfund loans	\$ 160,340	\$ (160,340)

Changes in interfund loans for the year ended June 30, 2014 were as follows:

Beginning Balance	Additions	Deletions	Ending Balance
\$ 167,724	\$ 0	\$ 7,384	\$ 160,340

4.g. Unearned Revenue/Unavailable Revenue

Unearned revenue in the General Fund consists of \$24,276 of grant revenue and \$3,416 of fees and service revenue received in advance. Unavailable revenue in the General Fund consists of \$89,787 of delinquent taxes, \$25,000 of state pilot (payment in lieu of taxes) and \$12,284 of ambulance revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Unavailable revenue in the Community Development Fund consists of \$706,175 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Unavailable revenue in the Capital Projects Fund consists of \$538,779 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Unearned revenue in the Other Governmental Funds consists of \$2,250 of grant revenue and \$24,799 of fees and services revenue received in advance. Unavailable revenue in the Other Governmental Funds consists of \$279,000 of loans receivable that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Unearned revenue in the Water Fund consists of \$4,784 of water usage overpayments.

Unearned revenue in the District Heat Fund consists of \$121,464 of capacity revenue and \$1,716 of energy usage revenue received in advance.

4.h. Long-term Liabilities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for the payment of a prior pension liability. 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.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

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.

The City has other notes payable to finance various capital projects through local banks.

The City enters into lease agreements as lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception 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.

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.

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, 2014 were as follows:

Governmental Activities

Retaining walls bond, net interest rate 5.676%, to Vermont Municipal Bond Bank, \$5,000 principal payments due annually from December 1, 1997 to December 1, 2016.	\$ 15,000
Fire station improvement bond, net interest rate 5.029%, to Vermont Municipal Bond Bank, \$40,000 principal payments due annually from December 1, 1998 to December 1, 2007, \$35,000 from December 1, 2008 to December 1, 2017.	140,000
Bridge improvement bond, net interest rate 5.033%, to Vermont Municipal Bond Bank, \$35,000 principal payments due annually from December 1, 1998 to December 1, 2013, \$30,000 from December 1, 2014 to December 1, 2017.	120,000
Street improvement and sewer line bond, various interest rates (.44% to 4.854%), to Vermont Municipal Bond Bank, semi-annual principal of 1 payment of \$35,500 then \$69,000 due May and November 15, with final payment of \$33,500 due November 15, 2034, (51.45% reported in Governmental Activities and 48.55% reported in Sewer Fund).	710,000

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

Retaining wall bond, net interest at 4.789%, to Vermont Municipal Bond Bank, \$50,000 principal payments due annually from December 1, 1999 to December 1, 2003, \$45,000 from December 1, 2004 to December 1, 2018.	225,000
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.	210,000
Bike path lighting project bond, interest at 4.67%, to Vermont Municipal Bond Bank, \$20,000 principal due annually, due in December 2021.	160,000
Montpelier Police Station bond, various interest rates (4.344% - 5.644%), to Vermont Municipal Bond Bank, \$75,000 principal due annually from December 1, 2001 to December 1, 2014, \$70,000 from December 1, 2015 to December 1, 2020.	495,000
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, \$40,000 principal due from December 1, 2015 to December 1, 2024.	445,000
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.	134,443
City Hall/DPW 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 from December 1, 2023 and \$35,000 due from December 1, 2024 to December 1, 2026.	550,000
Community National Bank Municipal Note, interest at 2.30%, annual payments of principal and interest of \$12,208 due from January 2013 to January 2015, secured by a truck.	11,933
VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$30,000 to \$524,000 until November 15, 2032, (74.96% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.29% reported in Sewer Fund and 5.40% reported in Parking Fund).	2,672,500

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

T.D. Equipment Finance Lease for ambulance, interest at 3.6%, annual payments of principal and interest of \$39,873 due until June 1, 2015.	38,488
Carr Lot, streets, fire truck and buildings improvement bond, various interest rates (1.098% - 3.908%), to Vermont Municipal Bond Bank, \$85,000 principal due annually from December 1, 2013 to December 1, 2026, \$80,000 principal due from December 1, 2027 to December 1, 2032.	1,585,000
Sabins pasture/district heating/retaining walls/bridges improvement bond, various interest rates (1.391% to 4.981%) to Vermont Municipal Bond Bank, annual installments of \$95,000 decreasing to \$45,000 until November 15, 2029 (21.74% reported in District Heat Fund).	590,706
Trustees of Allen Carr Revocable Trust Note, interest at 4.5% adjusted on Jan 2019 and 2024, monthly payments of principal and interest of \$3,600 due until January 2, 2026, secured by mortgage on 1 Taylor St.	389,421
Total governmental activities bonds , notes payable and leases payable	\$ 8,492,491

Business-type Activities

Water Fund

Water line improvement bond, various interest rates (3.865% - 4.665%) to Vermont Municipal Bond Bank, principal payments in annual installments of \$105,519 decreasing to \$80,195 until December 1, 2027.	\$ 1,316,883
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, and principal payable in various annual installments increasing from \$25,000 to \$195,000 until December 1, 2021.	1,250,000
Vermont water system improvement bond refinanced July 2004 through the Vermont 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.	2,695,000
Westside connector bond issued July 2004 to Vermont Municipal Bond Bank, interest rates (1.87% - 5.09%), interest payable June 1 and December 1, and principal payable in various annual installments increasing from \$50,000 to \$105,000 until December 1, 2024.	910,000

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

<p>VMERS Refunding Bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$30,000 to \$524,000 until November 15, 2032, (74.96% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.29% reported in Sewer Fund and 5.40% reported in Parking Fund).</p>	297,500
<p>Honeywell Global Finance, LLC lease for energy efficient 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 1, 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.</p>	22,040
<p>Total Water Fund bonds and leases payable</p>	<p>\$ 6,491,423</p>
Sewer Fund	
<p>Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$22,049 until December 1, 2016.</p>	<p>\$ 66,147</p>
<p>Sewer system improvement Bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$38,856 until December 1, 2017.</p>	155,422
<p>Sewer system improvement bond, Vermont Municipal Bond Bank, net interest rate of 5.676%, annual principal of \$30,000 until December 1, 2016.</p>	90,000
<p>Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$14,156 until December 1, 2018.</p>	70,781
<p>Ultraviolet disinfection system bond issued July 2004 through the Vermont Municipal bond Bank, 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.</p>	950,000
<p>Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$35,497 until April 1, 2020.</p>	212,982

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$174,171 until July 1, 2025.	1,915,880
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$13,807 until January 1, 2022.	110,456
Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$26,456 until July 1, 2022.	211,647
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$34,432 until July 1, 2023.	309,887
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments payments of \$28,100 until June 1, 2024.	280,997
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of \$25,785 starting in fiscal year 2007 for 20 years, during 2009 the loan was finalized and the repayment schedule was adjusted to annual principal payments of \$34,710 until September 1, 2025.	416,516
Local share CSO bond, Vermont Municipal Bond Bank, various interest rates (2.80%-5.30%), annual principal payments of \$40,000 until 2020 then annual principal payments of \$35,000 until December 1, 2031.	660,000
River Street sewer line bond, Vermont Municipal Bond Bank, various interest rates (1.9% - 4.65%), principal payments of \$20,000 until November 15, 2028.	300,000
VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$30,000 to \$524,000 until November 15, 2032, (74.96% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.29% reported in Sewer Fund and 5.40% reported in Parking Fund).	402,500

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

<p>Honeywell Global Finance, LLC lease for energy efficient 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 1, 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.</p>	63,916
<p>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.</p>	243,117
<p>Street improvement and sewer line bond, various interest rates (.44% to 4.854%), to Vermont Municipal Bond Bank, semi-annual principal of 1 payment of \$35,500 then \$69,000 due May and November 15, with final payment of \$33,500 due November 15, 2034, (51.45% reported in Governmental Activities and 48.55% reported in Sewer Fund).</p>	670,000
<p>Sewer CSO/ultra violet bond, Vermont Municipal Bond Bank, interest rate 2%, due in annual installments of principal and interest of \$26,064 until July 1, 2031.</p>	313,265
<p>Total Sewer Fund bonds and lease payable</p>	<p>\$ 7,443,513</p>

Parking Fund

<p>VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from \$30,000 to \$524,000 until November 15, 2032, (74.96% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.29% reported in Sewer Fund and 5.40% reported in Parking Fund).</p>	<p>\$ 192,500</p>
<p>Total Parking Fund bonds payable</p>	<p>\$ 192,500</p>

District Heat Fund

<p>Sabins pasture/district heating/retaining walls/bridges improvement bond, various interest rates (1.391% to 4.981%) to Vermont Municipal Bond Bank, annual installments of \$95,000 decreasing to \$45,000 until November 15, 2029 (78.26% reported in Governmental Activities).</p>	<p>\$ 194,294</p>
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CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

VEDA-CEDF Note for District Heat, interest at 1.00%, interest only payments until the project revenues exceed expenses by \$80,000, then annual payments of principal of \$75,000 plus interest. Principal payments budgeted to start July 2030 to July 2039.

\$ 750,000

Community National Bank bond anticipation note, interest at 1.15%, due September 30, 2014. Note paid in full August 2014. A Vermont Municipal Bank \$2,000,000 bond was issued on July 1, 2014, various interest rates (.513% to 4.283%) due semi annually, annual principal of \$100,000 due November 15, 2019 to 2038.

2,000,000

Total District Heat Fund note payable

\$ 2,944,294

Total Proprietary Funds bonds and leases payable

\$ 17,071,730

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

	Beginning Balance -Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 7,725,251	\$ 710,000	\$ (517,045)	\$ 7,918,206	\$ 505,327
Capital Leases	287,529	0	(114,598)	172,931	69,875
Notes Payable	23,598	400,000	(22,244)	401,354	38,146
Compensated Absences	292,064	41,225	0	333,289	0
Total Governmental Activities Long-Term Liabilities	\$ 8,328,442	\$ 1,151,225	\$ (653,887)	\$ 8,825,780	\$ 613,348
Business-type Activities					
General Obligation Bonds	\$ 14,670,037	\$ 2,670,000	\$ (1,104,263)	\$ 16,235,774	\$ 1,152,062
Capital Leases	105,144	0	(19,188)	85,956	20,067
Notes Payable	435,060	314,940	0	750,000	0
Compensated Absences	102,918	2,019	0	104,937	0
Total Business-type Activities Long-Term Liabilities	\$ 15,313,159	\$ 2,986,959	\$ (1,123,451)	\$ 17,176,667	\$ 1,172,129

Compensated absences are paid by the applicable fund where the employee is charged. The beginning balances were restated due to a bond payable for District Heat with a balance of \$207,249 at July 1, 2013 being transferred from Governmental Activities to Business-type Activities.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.h. Long-term Liabilities (continued)

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
2015	\$ 543,473	\$ 400,315	\$ 76,999	\$ 1,152,062	\$ 543,717	\$ 23,736
2016	504,997	375,801	37,126	1,178,902	510,798	23,737
2017	506,256	353,830	37,126	1,209,507	473,530	23,737
2018	525,062	330,657	37,126	1,195,585	413,931	23,737
2019	471,934	305,055	0	1,185,868	374,720	0
2020-2024	2,015,225	1,233,878	0	6,122,475	1,150,339	0
2025-2029	1,884,791	761,098	0	2,449,700	538,725	0
2030-2034	1,851,269	234,755	0	1,524,730	280,479	0
2035-2039	16,553	419	0	891,945	68,786	0
2040-2044	0	0	0	75,000	750	0
Less Amounts Representing Interest	0	0	(15,446)	0	0	(8,991)
Total	\$ 8,319,560	\$ 3,995,808	\$ 172,931	\$ 16,985,774	\$ 4,355,775	\$ 85,956

The City has authorized, but has not issued long-term debt at June 30, 2014 as follows:

<u>Purpose</u>	<u>Authorized</u>	<u>Amount</u>
District Heat System Bonds	June 14, 2011	\$ 2,000,000

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

Beginning Balance	\$ 0
Proceeds of Tax Anticipation Note – General Fund	2,500,000
Repayment of Tax Anticipation Note – General Fund	(2,500,000)
Proceeds of Bond Anticipation Note – District Heat	2,000,000
Ending Balance (Recorded as long term debt)	\$ 2,000,000

The tax anticipation note had an interest rate of 2.80% and was paid in full with interest of \$69,808 in June 2014. The bond anticipation note has an interest rate of 1.15% and was paid in full August 1, 2014. Interest paid for the year ended June 30, 2014 was \$13,619.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.i. Restricted, Committed and Assigned Fund Balances/Net Position

The restricted fund balances/net position of the City as of June 30, 2014 consisted of the following:

	Balance June 30, 2014
Governmental Funds	
General Fund:	
Act 60 Reappraisal - State Statute	\$ 52,299
Records Restoration - State Statute	57,608
Park Impact Fees - State Statute	10,114
Drug Seizure	1,661
Total General Fund	\$ 121,682
Community Development Fund:	
Community Development Grant Funds	\$ 354,635
Total Community Development Fund	\$ 354,635
Capital Projects Fund:	
Traffic Impact Fees	\$ 4,300
Bond Proceeds	1,421,842
Total Capital Projects Fund	\$ 1,426,142
Other Governmental Funds:	
Special Revenue Funds:	
Montpelier Events Fund - Donations	\$ 6,126
Montpelier Events Fund - Grants	12,255
Total Montpelier Events Fund	\$ 18,381
Green Mount Cemetery	\$ 23,468
Montpelier Foundation - Donations	\$ 108,559
Total Special Revenue Funds	\$ 150,408
Permanent Funds:	
Expendable Cemetery Trust	\$ 395,706
Total	\$ 395,706
Total Other Governmental Funds	\$ 546,114
Total Restricted Fund Balances - Governmental Funds	\$ 2,448,573

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.i. Restricted, Committed and Assigned Fund Balances/Net Position (continued)

The committed fund balances/net position of the City as of June 30, 2014 consisted of the following:

	Balance
	June 30, 2014
Governmental Funds:	
Major Funds:	
General Fund:	
Committed for Fire Revenue Reserve	\$ 1,782
Committed for Justice Center Revolving Loan	4,632
Committed for Conservation Commission	9,250
Committed for Health Reimbursement Arrangement	119,700
Total General Fund	\$ 135,364
Community Development Fund:	
Committed for MBL Program	\$ 51,639
Committed for HPG Program	59,563
Committed for 25/25/ Loan write-offs	17,701
Committed for Community Development Program	29,104
Total Community Development Fund	\$ 158,007
Capital Projects Fund:	
Committed for Future Projects	\$ 632,738
Committed for Flood Mitigation-Phase II Project	336,547
Total Capital Projects Fund	\$ 969,285
Other Governmental Funds:	
Special Revenue Funds:	
Committed for Montpelier Park Commission	\$ 26,531
Committed for Montpelier Events Fund	6,241
Committed for Conservation Fund	35,910
Committed for Montpelier Housing Trust Fund	120,551
Total Special Revenue Funds	\$ 189,233
Total Committed Fund Balances - Governmental Funds	\$ 1,451,889

The negative unassigned fund balance of \$161,812 in the Montpelier Senior Citizens Fund is primarily a result of the interfund loans payable used for building renovations and will be funded from future operations.

The negative unassigned fund balance of \$579,297 in the Capital Projects Fund is a result of \$523,422 of grant expenses that will be funded from future grant proceeds and \$38,577 of equipment expenses and \$17,298 of streets/ADA improvements which will be funded from future appropriated capital funds.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

4. Detailed Notes on All Funds (continued)

4.i. Restricted Net Position

The restricted net position of the City (government-wide statements) as of June 30, 2014 consisted of the following:

Governmental Activities:	
Restricted by State Statute - Impact Fees	\$ 14,414
Restricted by State Statute – Other	109,907
Restricted by Donors	152,069
Restricted by Trust Agreements - Non-Expendable	481,431
Restricted by Trust Agreements - Expendable	395,706
Restricted by Community Development Loan/Grant Agreements	1,339,810
Total Governmental Activities:	2,493,337
Business-Type Activities:	
Restricted by Impact Fees Statute	2,417
Total Business-Type Activities	2,417
Total Restricted Net Position	\$ 2,495,754

4.j. Restated Net Position

The net position of the governmental activities and the business-type activities were restated as of June 30, 2013 due to the transfer of District Heat bond debt and accrued interest totaling \$208,241 from governmental activities to business-type activities.

5. Other Information

5.a. 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 4.625% and 9.5%, respectively, of gross wages while the City contributes 5.125% and 6.75%, 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 \$6,260,967 while covered payroll was \$5,935,366. Pension expense for the year was \$387,987.

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

5.b. 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.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

5. Other Information (continued)

5.b. Property Taxes (continued)

The tax rate for fiscal year 2013-2014 was as follows:

		Residential		Non Residential
City, Cemetery and Outside Agencies	\$	0.8946	\$	0.8946
State Education Tax		1.4343		1.4471
Local Tax Agreements		0.0006		0.0006
Water/Sewer Benefit Charge		0.0900		0.0900
Recreation		0.0682		0.0682
Total	\$	2.4877	\$	2.5005

5.c. 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 rate setting 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.

5.d. Commitments

Parking Lot Leases

The City leases four different parking lots around Montpelier for approximately \$93,579 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 \$45,000 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 Fire District has outstanding unpaid bonds issued to finance construction of the improvements.

(continued)

CITY OF MONTPELIER, VERMONT
Notes to the Financial Statements
June 30, 2014

5. Other Information (continued)

5.d. Commitments (continued)

Operating Leases

The City has a 60-month lease for copiers. The lease is for three copiers with a monthly payment of \$653 through February, 2016. The lease expense for the year ended June 30, 2014 was \$7,836.

The minimum lease payments are as follows:

2015	\$ 7,836
2016	5,887
	\$ 13,723

5.e. Contingency – Health Care Benefits

On January 1, 2012, the City changed the employee health insurance carrier and increased the deductible amount from \$3,500/\$7,000 to a \$4,000/\$8,000 high deductible health plan. The City continues to offer a Blue Cross Blue Shield of Vermont high deductible plan with an employer funded Health Reimbursement Arrangement (HRA) to help employees pay for their deductible costs. All eligible employees who choose to participate are enrolled in the BlueCross BlueShield's CDHP Blue Consumer Directed Health Plan \$4,000/\$8,000. The City is responsible for the \$3,500 toward the maximum out-of-pocket health expenses for the single person plan. The City is responsible for the \$7,000 toward the maximum out-of-pocket health expenses for the two person and family plans. In the first four years, the actual use of the City's HRA funding was below 67%. Based on lower than budgeted employee HRA use in 2013, \$60,000 was added to a reserve fund to offset future HRA overages. The balance of the HRA reserve fund at June 30, 2014 is \$119,700.

When budgeting for the 2014 employee health insurance program costs, the City projected a use of 70% of the City's potential out-of-pocket funding obligation. If all employees used 100% of the City's out-of-pocket funding, health insurance costs would exceed the budgeted cost by an estimated \$173,000. The risk of this overage is low based on the first four years' HRA experience and the funds available in the reserve fund.

5.f. Subsequent Events

Subsequent to year end, the City issued additional debt as follows:

<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Purpose</u>
Tax anticipation note	\$2,500,000	2.80%	General Operating Short Term Funding
General obligation bond	\$2,000,000	2.033% - 3.653%	District Heat Fund

The bond anticipation note for \$2,000,000 for District Heat was paid in full in August 2014.

The City has evaluated subsequent events through January 14, 2015, the date on which the financial statements were available to be issued.

CITY OF MONTPELIER, VERMONT
 Combining Balance Sheet
 Other Governmental Funds
 June 30, 2014

	Special Revenue Funds							Permanent Funds				Total Other Governmental Funds
	Green Mount Cemetery Fund	Montpelier Parks Commission Fund	Montpelier Events Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	Montpelier Senior Citizens Fund	George Blanchard Trust Fund	Non-Expendable Cemetery Trust Fund	Hubbard Park Trust Fund	Expendable Cemetery Trust Fund	
Assets:												
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,834	\$ 0	\$ 27,116	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,950
Investments	2,056	0	0	0	105,725	0	7,100	73,322	788,879	14,663	0	991,745
Receivables	11,118	931	0	0	0	0	3,076	0	0	0	0	15,125
Loans receivable	0	0	0	0	0	279,000	0	0	0	0	0	279,000
Prepaid Expenses	0	0	0	0	0	0	613	0	0	0	0	613
Inventories	408	0	0	0	0	0	0	0	0	0	0	408
Due from other funds	39,973	34,249	24,622	35,910	0	120,551	0	0	0	0	395,706	651,011
Total assets	\$ 53,555	\$ 35,180	\$ 24,622	\$ 35,910	\$ 108,559	\$ 399,551	\$ 37,905	\$ 73,322	\$ 788,879	\$ 14,663	\$ 395,706	\$ 1,967,852
Liabilities, deferred inflows of resources, and fund balances												
Liabilities:												
Accounts payable	\$ 26,309	\$ 4,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,190	\$ 0	\$ 0	\$ 43	\$ 0	\$ 36,429
Accrued payroll and related expenses	3,778	3,262	0	0	0	0	7,515	0	0	0	0	14,555
Unearned grants	0	500	0	0	0	0	1,750	0	0	0	0	2,250
Unearned fees and charges for service:	0	0	0	0	0	0	24,799	0	0	0	0	24,799
Interfund loans payable	0	0	0	0	0	0	160,340	0	0	0	0	160,340
Due to other funds	0	0	0	0	0	0	123	0	395,391	0	0	395,514
Total liabilities	30,087	8,649	0	0	0	0	199,717	0	395,391	43	0	633,887
Deferred inflows of resources:												
Unavailable revenue-loans receivable	0	0	0	0	0	279,000	0	0	0	0	0	279,000
Total deferred inflows of resources	0	0	0	0	0	279,000	0	0	0	0	0	279,000
Fund balances (deficit):												
Unspendable	0	0	0	0	0	0	0	73,322	393,488	14,620	0	481,430
Restricted	23,468	0	18,381	0	108,559	0	0	0	0	0	395,706	546,114
Committed	0	26,531	6,241	35,910	0	120,551	0	0	0	0	0	189,233
Unassigned	0	0	0	0	0	0	(161,812)	0	0	0	0	(161,812)
Total fund balances (deficit)	23,468	26,531	24,622	35,910	108,559	120,551	(161,812)	73,322	393,488	14,620	395,706	1,054,965
Total liabilities, deferred inflows of resources, and fund balances	\$ 53,555	\$ 35,180	\$ 24,622	\$ 35,910	\$ 108,559	\$ 399,551	\$ 37,905	\$ 73,322	\$ 788,879	\$ 14,663	\$ 395,706	\$ 1,967,852

CITY OF MONTPELIER, VERMONT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds							Permanent Funds				Total Other Governmental Funds
	Green Mount Cemetery Fund	Montpelier Parks Commission Fund	Montpelier Events Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	Montpelier Senior Citizens Fund	George Blanchard Trust Fund	Non-Expendable Cemetery Trust Fund	Hubbard Park Trust Fund	Expendable Cemetery Trust Fund	
Revenues:												
Intergovernmental	\$ 0	\$ 4,218	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,218
Fees and charges for services	27,954	0	0	0	0	0	74,298	0	6,820	0	0	109,072
Investment income (loss)	(1,158)	0	0	978	14,142	3,283	(106)	219	73,512	45	0	90,915
Contributions	0	7,122	0	0	0	0	79,776	0	0	0	0	86,898
Rents and commissions	0	9,350	0	0	0	0	0	0	0	0	0	9,350
Other revenues	0	150	0	0	0	0	14,169	0	0	0	0	14,319
Total revenues	26,796	20,840	0	978	14,142	3,283	168,137	219	80,332	45	0	314,772
Expenditures:												
Culture and recreation	0	183,633	16,900	0	0	0	326,598	0	0	0	0	527,131
Cemetery	177,370	0	0	0	0	0	0	0	0	0	0	177,370
Capital outlay:												
Building Improvements	15,753	0	0	0	0	0	0	0	0	0	0	15,753
Debt service - principal	11,665	0	0	0	0	0	0	0	0	0	0	11,665
Debt service - interest	2,819	2,275	0	0	0	0	9,984	0	0	0	0	15,078
Total expenditures	207,607	185,908	16,900	0	0	0	336,582	0	0	0	0	746,997
Excess (deficiency) of revenues over expenditures	(180,811)	(165,068)	(16,900)	978	14,142	3,283	(168,445)	219	80,332	45	0	(432,225)
Other financing sources (uses):												
Transfers in	168,584	173,196	9,800	0	0	41,000	157,475	0	0	0	73,513	623,568
Transfers out	0	0	0	0	0	0	0	0	(73,513)	(45)	(27,000)	(100,558)
Total other financing sources (uses)	168,584	173,196	9,800	0	0	41,000	157,475	0	(73,513)	(45)	46,513	523,010
Net change in fund balance	(12,227)	8,128	(7,100)	978	14,142	44,283	(10,970)	219	6,819	0	46,513	90,785
Fund balance - July 1, 2013	35,695	18,403	31,722	34,932	94,417	76,268	(150,842)	73,103	386,669	14,620	349,193	964,180
Fund balance (deficit) - June 30, 2014	\$ 23,468	\$ 26,531	\$ 24,622	\$ 35,910	\$ 108,559	\$ 120,551	\$ (161,812)	\$ 73,322	\$ 393,488	\$ 14,620	\$ 395,706	\$ 1,054,965

CITY OF MONTPELIER, VERMONT

FEDERAL COMPLIANCE

JUNE 30, 2014

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Montpelier
Montpelier, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,


FOTHERGILL SEGALÉ & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

January 14, 2015

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council
City of Montpelier
Montpelier, Vermont

Report on Compliance for Each Major Federal Program

We have audited the City of Montpelier, Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 14, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,


FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

January 14, 2015

City of Montpelier, Vermont
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>US Department of Energy</u>				
Recovery Act: Montpelier Community Renewable Energy	81.087	DE-EE0003071	\$ 8,000,000	\$ 5,701,303
SEP Formula Grants Under ARRA	81.041	DE-EE0000229,M001,M002	750,000	261,407
Total US Department of Energy				<u>5,962,710</u>
<u>U.S. Department of Agriculture, Forest Service</u>				
2012 Hazardous Fuels Woody Biomass Utilization	10.674	12-DG-11420004-262	248,556	33,884
Total US Department of Agriculture, Forest Service				<u>33,884</u>
<u>US Department of Justice</u>				
Passed through Vermont Department of Corrections				
Second Chance Act Prisoner Reentry Initiative	16.812	2010-CZ-BX-0028	50,000	4,481
Total US Department of Justice				<u>4,481</u>
<u>US Department of Homeland Security</u>				
Passed through Vermont Department of Public Safety:				
US Department of Homeland Security Grant	97.067	EMW-2011-SS-0038	68,328	68,328
US Department of Homeland Security Grant	97.067	2010-SS-TO-0083	91,641	91,641
Total passed through Vermont Department of Public Safety				<u>159,969</u>
Total US Department of Homeland Security				<u>159,969</u>
<u>US Department of Labor</u>				
Passed through Vermont Department of Labor:				
WIA Youth	17.259	135233152	4,500	4,218
Total US Department of Labor				<u>4,218</u>
<u>US Department of Housing and Urban Development</u>				
Passed through Vermont Agency of Commerce and Community Development:				
Community Development Block Grants/State's program	14.228	PG-2012-Montpelier-00004	15,000	11,700
Total US Department of Housing and Urban Development				<u>11,700</u>
<u>US Department of Transportation</u>				
Passed through Vermont Agency of Transportation:				
FHWA-Transportation Enhancement Project (Carr Lot)	20.205	:TP MMTC(3) & STP EH07(1)	5,344,250	1,559,130
Transportation Enhancement Project (Bike Path)	20.205	STP BIKE (33)S	2,748,612	181,297
Transportation Enhancement Project (Rte 2/302)	20.205	NHEGC-FEGC 028-3(34)	3,396,129	43,012
Federal Highway Planning and Construction	20.205	SW0068	150,000	150,000
Federal Highway Emergency Relief Program	20.205	FHWA ER -VT11-2	N/A	462,411
Subtotal 20.205 cluster				<u>2,395,850</u>
FTA -Welcome & Multi-modal Trans. Center (Carr Lot)	20.500	FTA G-11,October 1, 2004	1,967,357	46,652
Total Passed through Vermont Agency of Transportation				<u>2,442,502</u>
Passed through Vermont Department of Public Safety:				
Governor's Highway Safety Program	20.600	02140-1213-2228	4,000	2,569
Governor's Highway Safety Program	20.600	02140-1314-2031	5,000	5,000
Governor's Highway Safety Program	20.608	02140-1114-5022	7,000	4,064
Total Passed through Vermont Dept of Public Safety				<u>11,633</u>
Total US Department of Transportation				<u>2,454,135</u>
<u>Federal Emergency Management Agency</u>				
Passed through Vermont Agency of Transportation:				
FEMA Disaster Relief - May 2011 Flood	97.036	EA#40011211	N/A	18,689
Total Federal Emergency Management Agency				<u>18,689</u>
Total Expenditures of Federal Awards				<u>\$ 8,649,786</u>

CITY OF MONTPELIER, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2014

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Montpelier, Vermont.

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the schedule. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred, if measurable.

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to the subrecipient as follows:

<u>Subrecipient</u>	<u>CFDA</u>	<u>Amount</u>
State of Vermont	81.087	\$2,602,640

CITY OF MONTPELIER, VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

A. Summary of Auditor's Results

1. The auditor's report expresses unmodified opinions on the 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.
2. No significant deficiencies in internal control disclosed during the audit of the financial statements are reported in Part B of this Schedule.
3. No instances of noncompliance material to the basic financial statements of the City of Montpelier, Vermont were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for the City of Montpelier, Vermont expresses an unmodified opinion.
5. Audit findings relative to the major federal award programs for the City of Montpelier, Vermont are reported on Part C of this Schedule.
6. The program tested as a major programs includes:

Recovery Energy Research and Development	CFDA # 81.087
Highway Planning and Construction	CFDA # 20.205
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The City of Montpelier, Vermont was determined not to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None