

CITY OF MONTPELIER, VERMONT

AUDIT REPORT

JUNE 30, 2005

CITY OF MONTPELIER, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2005

	<u>Page #</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	Exhibit A 12
Statement of Activities	Exhibit B 13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	Exhibit C 14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit D 15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	Exhibit E 16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	Exhibit F 17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	Exhibit G 18
Statement of Net Assets – Proprietary Funds	Exhibit H 19
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	Exhibit I 20
Statement of Cash Flows – Proprietary Funds	Exhibit J 21
Statement of Fiduciary Net Assets	Exhibit K 22

CITY OF MONTPELIER, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2005

		<u>Page #</u>
Notes to the Financial Statements		23-44
<i>Supplementary Information:</i>		
Schedule of Revenues and Other Financing Sources Budget and Actual – General Fund	Schedule 1	45-46
Schedule of Expenditures and Other Financing Uses - Budget and Actual – General Fund	Schedule 2	47-48
Combining Balance Sheet – Other Governmental Funds	Schedule 3	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	Schedule 4	50

Sullivan,Powers&Co.

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
802/223-3578 FAX

James H. Powers, CPA
Fred Duplessis, CPA
Kathy Blackburn, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA

Independent Auditor's Report

To the City Council
City of Montpelier
Montpelier, Vermont 05602

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Montpelier, Vermont as of and for the year ended June 30, 2005, which collectively comprise the City of Montpelier, Vermont's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Montpelier, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont, at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements for other governmental funds and schedules of revenues and expenses – budget and actual for the general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sullivan, Powers & Company

October 14, 2005
Montpelier, Vermont
Vt Lic. #92-000180

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Our discussion and analysis of the City of Montpelier, Vermont's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements which begin on Exhibit A.

Financial Highlights

Government-Wide

- The City's net assets increased by \$53,997 as a result of this year's operations. While net assets of the business-type activities decreased by \$584,514, or nearly 2.8 percent, net assets of the governmental activities increased by \$638,511, or nearly 8.6 percent.
- The cost of all of the City's programs was \$12,538,043 in fiscal year 2005 compared to \$12,098,260 in fiscal year 2004, which is approximately a 4% increase.

Fund Statements

- During fiscal year 2005, the General Fund reported a net decrease in the fund balance of \$320,631, which was \$191,773 worse than budget. The current year decrease in fund balance is due to the planned use of reserves for Public Works equipment of \$98,960, Wi-Fi Project of \$26,780, Accounting GASB-34 of \$18,000, Fire Equipment of \$12,790 and Computer Equipment of \$7,742.
- The unreserved fund balance for the General Fund was \$303,959 and the reserved fund balances of the General Fund total \$662,111 as of June 30, 2005. The reserved balances are reserved for special projects or are not available for current expenditures.
- The Community Development Fund ended the year with a reserved fund balance of \$619,140, which was \$48,191 higher than the prior year fund balance of \$570,949. This fund balance is reserved by various sources for Community Development.
- The Capital Projects Fund ended the year with a fund balance of \$716,008, which was \$285,512 higher than the prior year fund balance of \$430,496. The reserved fund balance of \$369,319 is reserved by various sources for Capital Projects.
- Other nonmajor governmental funds ended the year with a fund balance of \$879,319, which was \$37,862 higher than the prior year fund balance of \$841,457. \$821,454 of this fund balance is reserved by various sources for various purposes.
- The Water Fund ended the year with net assets of \$9,386,544, which was \$425,705 lower than the prior year balance of \$9,812,249. Of the total net asset balance, \$9,386,412 is invested in property and equipment, this leaves \$132 designated for future capital projects.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

- The Sewer Fund ended the year with net assets of \$10,314,952, which was \$85,912 lower than the prior year balance of \$10,400,864. Of the total net asset balance, \$10,106,308 is invested in property and equipment and \$208,644 is designated for future capital projects.
- The Parking Fund ended the year with net assets of \$233,613, which was \$72,897 lower than the prior year balance of \$306,510. Of the total net asset balance, \$324,626 is invested in property and equipment and \$41,220 is restricted for various projects. This leaves a deficit of \$132,233 to be recovered in future periods.

Using This Annual Report

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

Reporting the City as a Whole

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

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

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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

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

Reporting the City's Most Significant Funds

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

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

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

The City as an Agent

The City is responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on Exhibit K. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

The City's combined net assets increased by \$53,997 from a year ago – increasing from \$27,950,185 to \$28,004,182. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total Primary Government 2004	Governmental Activities 2005	Business-type Activities 2005	Total Primary Government 2005
Current and other assets	\$ 5,656,863	\$ 1,224,725	\$ 6,881,588	\$ 5,612,702	\$ 1,814,442	\$ 7,427,144
Capital assets	7,379,189	35,506,695	42,885,884	8,462,249	36,908,949	45,371,198
Total assets	<u>13,036,052</u>	<u>36,731,420</u>	<u>49,767,472</u>	<u>14,074,951</u>	<u>38,723,391</u>	<u>52,798,342</u>
Bonds and notes payable	4,612,711	15,598,045	20,210,756	5,035,977	18,205,149	23,241,126
Other liabilities	992,779	613,752	1,606,531	969,901	583,133	1,553,034
Total liabilities	<u>5,605,490</u>	<u>16,211,797</u>	<u>21,817,287</u>	<u>6,005,878</u>	<u>18,788,282</u>	<u>24,794,160</u>
Net assets:						
Invested in capital assets, net of debt	3,276,478	19,529,798	22,806,276	3,858,194	19,817,346	23,675,540
Restricted	3,772,705	59,738	3,832,443	3,767,020	41,220	3,808,240
Unrestricted	381,379	930,087	1,311,466	443,859	76,543	520,402
Total net assets	<u>\$ 7,430,562</u>	<u>\$ 20,519,623</u>	<u>\$ 27,950,185</u>	<u>\$ 8,069,073</u>	<u>\$ 19,935,109</u>	<u>\$ 28,004,182</u>

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

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Net assets of the City's governmental activities increased by 8.6% (\$7,430,562 compared to \$8,069,073). The net assets of our business-type activities decreased by 2.8 % (\$20,519,623 compared to \$19,935,109) in fiscal year 2005. At the end of the current fiscal year, the City is able to report positive balances in all categories of Net Assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Table 2
Change in Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total Primary Government 2004	Governmental Activities 2005	Business-type Activities 2005	Total Primary Government 2005
REVENUES						
Program revenues:						
Charges for services	\$ 652,987	\$ 4,680,866	\$ 5,333,853	\$ 613,615	\$ 4,719,597	\$ 5,333,212
Operating grants	986,108	0	986,108	675,781	0	675,781
Capital grants	354,932	519,386	874,318	279,026	205,862	484,888
General revenues:						
Property taxes	5,748,640	0	5,748,640	5,805,221	0	5,805,221
Investment earnings	185,314	16,194	201,508	85,214	27,594	112,808
Miscellaneous	163,663	0	163,663	180,130	0	180,130
Total revenues	8,091,644	5,216,446	13,308,090	7,638,987	4,953,053	12,592,040
PROGRAM EXPENSES						
General government	1,149,680	0	1,149,680	1,303,749	0	1,303,749
Public safety	3,187,846	0	3,187,846	3,174,183	0	3,174,183
Highway and streets	1,653,937	0	1,653,937	1,622,025	0	1,622,025
Culture and recreation	865,720	0	865,720	408,308	0	408,308
Interest on long-term debt	123,271	0	123,271	262,503	0	262,503
Cemetery	0	0	0	156,504	0	156,504
Community Development.	0	0	0	81,204	0	81,204
Water	0	2,076,867	2,076,867	0	2,164,047	2,164,047
Sewer	0	2,451,590	2,451,590	0	2,773,879	2,773,879
Parking	0	589,349	589,349	0	591,641	591,641
Total program expenses	6,980,454	5,117,806	12,098,260	7,008,476	5,529,567	12,538,043
Excess before special item and transfers	1,111,190	98,640	1,209,830	630,511	(576,514)	53,997
Special item - VMERS paydown	(505,198)	0	(505,198)	0	0	0
Transfers	35,000	(35,000)	0	8,000	(8,000)	0
Transfers	33,822	0	33,822	0	0	0
Increase in Net Assets	\$ 674,814	\$ 63,640	\$ 738,454	\$ 638,511	\$ (584,514)	\$ 53,997

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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

Governmental Activities

The City's tax rate remained at \$1.03 per \$100 of assessed value from fiscal year 2004 to fiscal year 2005 for the general expenses, or no increase to the tax rate.

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

Table 3

	Governmental Activities		Business Activities		Governmental Activities		Business Activities	
	Total Cost	Net Revenues	Total Cost	Net Revenues	Total Cost	Net Revenues	Total Cost	Net Revenues
	of Services	(Cost)	of Services	(Cost)	of Services	(Cost)	of Services	(Cost)
	2004	2004	2004	2004	2005	2005	2005	2005
General government	\$ 1,149,680	\$ (744,044)	\$ 0	\$ 0	\$ 1,303,749	\$ (972,515)	\$ 0	\$ 0
Public safety	3,187,846	(2,603,096)	0	0	3,174,183	(2,586,001)	0	0
Highway and streets	1,653,937	(1,160,017)	0	0	1,622,025	(1,120,362)	0	0
Culture and recreation	865,720	(355,999)	0	0	408,308	(384,239)	0	0
Water	0	0	2,076,867	(246,354)	0	0	2,164,047	(461,549)
Sewer	0	0	2,451,590	469,443	0	0	2,773,879	(79,662)
Parking	0	0	589,349	(140,643)	0	0	591,641	(62,897)
All others	123,271	(123,271)	0	0	500,211	(376,937)	0	0
Totals	<u>\$ 6,980,454</u>	<u>\$ (4,986,427)</u>	<u>\$ 5,117,806</u>	<u>\$ 82,446</u>	<u>\$ 7,008,476</u>	<u>\$ (5,440,054)</u>	<u>\$ 5,529,567</u>	<u>\$ (604,108)</u>

The City's Funds

As the City completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$3,180,537, which is above last year's total of \$3,129,603. Included in this year's total change in fund balance is a decrease of \$320,631 in the City's General Fund; an increase of \$48,191 in the Community Development Fund; and an increase of \$285,512 in the Capital Projects Fund.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

General Fund Budgetary Highlights

Over the course of the year, the City Council receives monthly budget reports and monitors actual results compared to budget. Most notable revenues exceeding budget are Public Works fees \$22,479, Police grants \$23,371 and Fire/EMS grants \$59,263. Investment income is lower than budgeted by \$8,486 and Police fines and forfeitures are lower than budgeted by \$25,749. Most notable expenditures exceeding budget are Finance – Accounting for GASB 34 \$18,953 which has a reserve to offset this expense, City Hall maintenance \$34,122 for repairs to boilers/railings and increased utilities, Department of Public Works \$102,308 for high use of sand and salt in the winter months. The departments of Fire and Police are under budget for salaries/wages due to turnover in personnel which requires time to fill the vacant positions. The Planning department is also under budget for salaries/wages because the building inspector position was not filled.

The City Council's wireless computer project to replace the City's frame relay network cost an additional \$38,244 in fiscal year 2005. The total project cost is \$88,369. The investment is expected to be recovered through reduced operating costs in the future. The project also promotes a wireless Montpelier cooperative for the community.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2005, the City had \$45,323,120 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$2,437,236, over last year.

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

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Totals <u>2004</u>	Governmental Activities <u>2005</u>	Business-type Activities <u>2005</u>	Totals <u>2005</u>
Land	\$ 591,550	\$ 250,672	\$ 842,222	\$ 591,550	\$ 250,672	\$ 842,222
Capital improvements and equipment	6,638,254	34,128,446	40,766,700	6,730,910	34,944,966	41,675,876
Construction in progress	149,385	1,127,577	1,276,962	1,139,789	1,713,311	2,853,100
Totals	<u>\$ 7,379,189</u>	<u>\$ 35,506,695</u>	<u>\$42,885,884</u>	<u>\$ 8,462,249</u>	<u>\$ 36,908,949</u>	<u>\$45,371,198</u>

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

This year's major additions included:

Equipment and vehicles	\$ 574,748
Infrastructure	100,710
Water meter project	82,193
Water lines	120,706
Sewer building improvements	122,819
Boiler for sewer fund	45,994
CSO project	<u>1,216,065</u>
	<u><u>\$ 2,263,235</u></u>

The City's fiscal year 2006 governmental capital budget calls for it to spend \$50,000 less than the prior year \$1,000,000 or a total of \$950,000 for general government capital projects and debt of which debt service is approximately 64%.

Debt

At June 30, 2005, the City had \$23,241,126 in bonds and notes outstanding versus \$20,210,756 on June 30, 2004 – an increase of \$3,030,370 (15%) – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Balance June 30, 2004	Additions	Payments	Balance June 30, 2005
Notes and bond payable				
Governmental Activities	\$ 4,612,711	\$ 850,000	\$ (426,734)	\$ 5,035,977
Proprietary Funds	15,598,045	7,215,528	(4,608,424)	18,205,149
Totals	<u>\$ 20,210,756</u>	<u>\$ 8,065,528</u>	<u>\$ (5,035,158)</u>	<u>\$23,241,126</u>

New debt resulted from City Hall improvements, Water system upgrades, and Wastewater upgrades.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for the business-type activities.

One of those factors is the economy and unemployment in the City, which stands at 2.2% (August 2005) compared with 2.2% (August 2004) a year ago. This compares with the State's unemployment rate in August, 2005 of 3.5% and the national rate of 4.9% for the same month (seasonally adjusted). When adopting the budget for fiscal year 2006, the City Council took into account these indicators as well as increased home values with the reappraisal in fiscal year 2004. There is an increase of 2 cents on the tax rate or \$1.05 per \$100 of assessed value for fiscal year 2006. This increase is due to additional ballot items for outside agencies and a Housing Trust Fund which was approved by the voters.

CITY OF MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Also, the Consumer Price Index and percent change over one year of 3.2% for the month of October 2004 was reviewed during the budget process.

The City's General Fund fund balance is not expected to change by the close of fiscal year 2006.

As for the City's business-type activities, we expect that the fiscal year 2006 utility rates will increase due to chemicals, fuel and electricity costs.

Current quarterly water rates are as follows: \$4.85 per 1,000 for first 50,000 gallons, \$5.15 per 1,000 for next 200,000 gallons, \$8.35 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 \$17.50. It is planned that water use rates, which have not been increased in six years, will increase and be reflected in the November 2005 quarterly billing.

Current quarterly sewer rates are as follows: \$4.90 per 1,000 gallons of water used and a fixed charge for all accounts for meter reading, billing and other administrative service costs of \$22.39. It is planned that sewer use rates, which have not been increased in three years, will increase and be reflected in the November 2005 quarterly billing.

Contacting the City's Financial Management

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,459,706	\$ 1,727,612	\$ 3,187,318
Investments	635,465	0	635,465
Accounts receivable:			
Property taxes, net	119,907	0	119,907
Ambulance, net	45,497	0	45,497
Water/sewer and other fees	0	872,571	872,571
Grants	106,357	88,303	194,660
Other	70,137	89,476	159,613
Loans and notes receivable due within one year	60,600	5,320	65,920
Internal balances	1,051,869	(1,051,869)	0
Inventories	83,523	63,954	147,477
Prepaid expenses	11,276	3,096	14,372
Loans and notes receivable due after one year	1,968,365	15,979	1,984,344
Capital assets:			
Land and construction in progress	1,731,339	1,963,983	3,695,322
Other capital assets, net of depreciation	6,730,910	34,944,966	41,675,876
Total assets	14,074,951	38,723,391	52,798,342
LIABILITIES			
Accounts payable	360,593	94,236	454,829
Construction payable	48,078	338,946	387,024
Due to fiduciary funds	87,274	0	87,274
Due to school district	54,535	0	54,535
Deferred revenue	90,320	0	90,320
Accrued interest	24,258	44,827	69,085
Accrued payroll and related expenses	52,732	15,249	67,981
Bonds and notes payable due within one year	428,805	758,480	1,187,285
Accrued compensated absences due after one year	252,111	89,875	341,986
Bonds and notes payable due after one year	4,607,172	17,446,669	22,053,841
Total liabilities	6,005,878	18,788,282	24,794,160
NET ASSETS			
Unrestricted	443,859	76,543	520,402
Restricted for community development	2,288,876	0	2,288,876
Restricted for capital projects	174,180	0	174,180
Restricted for other purposes	614,813	41,220	656,033
Restricted for permanent trust funds			
Nonexpendable	394,938	0	394,938
Expendable	294,213	0	294,213
Invested in capital assets, net of related debt	3,858,194	19,817,346	23,675,540
Total net assets	\$ 8,069,073	\$ 19,935,109	\$ 28,004,182

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

CITY OF MONTPELIER, VERMONT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government and administration	\$ 1,303,749	\$ 126,892	\$ 204,342	\$ 0	\$ (972,515)	\$ 0	\$ (972,515)
Public safety	3,174,183	345,633	159,915	82,634	(2,586,001)	0	(2,586,001)
Highway and streets	1,622,025	107,169	213,770	180,724	(1,120,362)	0	(1,120,362)
Cultural and recreational	408,308	3,620	4,781	15,668	(384,239)	0	(384,239)
Cemetery	156,504	30,301	0	0	(126,203)	0	(126,203)
Community development	81,204	0	92,973	0	11,769	0	11,769
Interest on long-term debt	262,503	0	0	0	(262,503)	0	(262,503)
Total governmental activities	<u>7,008,476</u>	<u>613,615</u>	<u>675,781</u>	<u>279,026</u>	<u>(5,440,054)</u>	<u>0</u>	<u>(5,440,054)</u>
Business-type activities							
Water	2,164,047	1,702,498	0	0	0	(461,549)	(461,549)
Sewer	2,773,879	2,488,355	0	205,862	0	(79,662)	(79,662)
Parking	591,641	528,744	0	0	0	(62,897)	(62,897)
Total business-type activities	<u>5,529,567</u>	<u>4,719,597</u>	<u>0</u>	<u>205,862</u>	<u>0</u>	<u>(604,108)</u>	<u>(604,108)</u>
Total government	<u>\$ 12,538,043</u>	<u>\$ 5,333,212</u>	<u>\$ 675,781</u>	<u>\$ 484,888</u>	<u>(5,440,054)</u>	<u>(604,108)</u>	<u>(6,044,162)</u>
General Revenues:							
Property taxes					5,805,221	0	5,805,221
Earnings on investments					75,755	27,594	103,349
Miscellaneous					189,589	0	189,589
Transfers					8,000	(8,000)	0
Total general revenues and transfers					<u>6,078,565</u>	<u>19,594</u>	<u>6,098,159</u>
Change in net assets					638,511	(584,514)	53,997
Net assets - July 1, 2004 (Restated)					<u>7,430,562</u>	<u>20,519,623</u>	<u>27,950,185</u>
Net assets - June 30, 2005					<u>\$ 8,069,073</u>	<u>\$ 19,935,109</u>	<u>\$ 28,004,182</u>

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

CITY OF MONTPELIER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Major funds			Nonmajor	Total Governmental Funds
	General	Community Development	Capital Projects Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 572,103	\$ 705,797	\$ 0	\$ 181,806	\$ 1,459,706
Investments	0	0	0	635,465	635,465
Receivables					
Property taxes, net	119,907	0	0	0	119,907
Ambulance receivables, net	45,497	0	0	0	45,497
Federal grants	0	32,263	44,438	7,378	84,079
State grants and loans	20,060	0	2,218	0	22,278
Other	47,196	267	0	168	47,631
Employee loans	22,506	0	0	0	22,506
Due from other funds	599,550	0	796,829	406,189	1,802,568
Community development loans, net	0	1,687,437	0	0	1,687,437
Note receivable - Connor	341,528	0	0	0	341,528
Prepaid expenses	11,276	0	0	0	11,276
Inventories	83,523	0	0	0	83,523
Total assets	<u>\$ 1,863,146</u>	<u>\$ 2,425,764</u>	<u>\$ 843,485</u>	<u>\$ 1,231,006</u>	<u>\$ 6,363,401</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 241,472	\$ 23,273	\$ 79,399	\$ 16,449	\$ 360,593
Construction payable	0	0	48,078	0	48,078
Due to other funds	432,274	113,615	0	292,084	837,973
Accrued payroll and related expenses	47,780	0	0	4,952	52,732
Due to school district	54,535	0	0	0	54,535
Deferred revenue					
Taxes	68,897	0	0	0	68,897
Federal grants	52,118	0	0	2,729	54,847
Other	0	0	0	35,473	35,473
Community development	0	1,669,736	0	0	1,669,736
Total liabilities	<u>897,076</u>	<u>1,806,624</u>	<u>127,477</u>	<u>351,687</u>	<u>3,182,864</u>
FUND BALANCES					
Reserved	662,111	619,140	369,319	821,454	2,472,024
Unreserved	303,959	0	346,689	57,865	708,513
Total fund balances	<u>966,070</u>	<u>619,140</u>	<u>716,008</u>	<u>879,319</u>	<u>3,180,537</u>
Total liabilities and fund balances	<u>\$ 1,863,146</u>	<u>\$ 2,425,764</u>	<u>\$ 843,485</u>	<u>\$ 1,231,006</u>	<u>\$ 6,363,401</u>

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

CITY OF MONTPELIER, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 3,180,537
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets are \$11,747,130 and the accumulated depreciation is \$3,284,881.		8,462,249
Deferred revenues are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. Deferred revenues at year end consist of:		
Deferred note revenue	1,669,736	
Deferred tax revenue	<u>68,897</u>	
		1,738,633
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds and notes payable	5,035,977	
Accrued interest on bonds and notes payable	24,258	
Accrued compensated absences	<u>252,111</u>	<u>(5,312,346)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 8,069,073</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Major funds			Nonmajor	Total Governmental Funds
	General	Community Development	Capital Projects Fund	Other Governmental Funds	
REVENUES					
Property taxes, penalties and interest	\$ 5,823,867	\$ 0	\$ 0	\$ 0	\$ 5,823,867
Permits and licenses	43,589	0	0	0	43,589
Intergovernmental	553,344	92,973	196,392	112,098	954,807
Fees and charges for services	1,280,391	0	0	30,301	1,310,692
Fines and forfeitures	24,251	0	0	0	24,251
Investment income	21,514	11,700	0	42,541	75,755
Rents and commissions	1,489	0	0	3,620	5,109
Equipment revenues	70,510	0	0	0	70,510
Principal repayments	0	97,988	0	0	97,988
Miscellaneous and other	130,546	30	5,214	81,045	216,835
Total revenues	<u>7,949,501</u>	<u>202,691</u>	<u>201,606</u>	<u>269,605</u>	<u>8,623,403</u>
EXPENDITURES					
General government	1,668,121	0	22,693	0	1,690,814
Public safety	2,907,774	0	0	130,770	3,038,544
Highway and streets	1,697,458	0	58,391	0	1,755,849
Culture and recreation	249,680	138,750	7,164	151,464	547,058
Cemetery	0	0	0	149,161	149,161
Capital outlays	457,915	0	1,106,959	0	1,564,874
Debt service - interest	256,706	0	0	729	257,435
Debt service - principal	420,371	0	0	6,363	426,734
Total expenditures	<u>7,658,025</u>	<u>138,750</u>	<u>1,195,207</u>	<u>438,487</u>	<u>9,430,469</u>
EXCESS REVENUES (EXPENDITURES)	<u>291,476</u>	<u>63,941</u>	<u>(993,601)</u>	<u>(168,882)</u>	<u>(807,066)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long term debt	0	0	850,000	0	850,000
Transfers in	30,250	0	429,113	273,063	732,426
Transfers out	(642,357)	(15,750)	0	(66,319)	(724,426)
Total other financing sources (uses)	<u>(612,107)</u>	<u>(15,750)</u>	<u>1,279,113</u>	<u>206,744</u>	<u>858,000</u>
NET CHANGE IN FUND BALANCES	(320,631)	48,191	285,512	37,862	50,934
FUND BALANCES - JULY 1, 2004 (Restated)	<u>1,286,701</u>	<u>570,949</u>	<u>430,496</u>	<u>841,457</u>	<u>3,129,603</u>
FUND BALANCES - JUNE 30, 2005	<u>\$ 966,070</u>	<u>\$ 619,140</u>	<u>\$ 716,008</u>	<u>\$ 879,319</u>	<u>\$ 3,180,537</u>

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

CITY OF MONTPELIER, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	50,934
--	----	--------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$1,564,874 plus donated equipment of \$5,524 net of disposals of \$32,770 exceeds depreciation expense \$454,568 in the period.	1,083,060
---	-----------

Long term community development loans payments are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred loan balances decreased \$40,442.	(40,442)
--	----------

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes decreased \$18,646.	(18,646)
---	----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(423,266)
--	-----------

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). This year, compensated absences earned exceeded the amounts used by \$8,061.	(8,061)
---	---------

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. The reduction of interest reported in the statement of activities is because accrued interest on bonds and notes payable increased by \$5,068.	(5,068)
--	---------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>638,511</u>
---	-----------	----------------

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 \$840,536, the general government expenses was decreased by \$556,745 and the highway and streets was decreased by \$283,791.

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2005

	<u>Original and final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes, penalties and interest	\$ 5,783,292	\$ 5,823,867	\$ 40,575
Permits and licenses	73,600	43,589	(30,011)
Intergovernmental	439,953	553,344	113,391
Fees and charges for services	1,264,837	1,280,391	15,554
Fines and forfeitures	50,000	24,251	(25,749)
Investment income	30,000	21,514	(8,486)
Rents and commissions	0	1,489	1,489
Equipment revenue	50,000	70,510	20,510
Miscellaneous and other	70,946	130,546	59,600
	<u>7,762,628</u>	<u>7,949,501</u>	<u>186,873</u>
EXPENDITURES			
General government	1,579,534	1,668,121	(88,587)
Public safety	2,996,469	2,907,774	88,695
Highway and streets	1,595,150	1,697,458	(102,308)
Culture and recreation	226,397	249,680	(23,283)
Capital outlay	224,990	457,915	(232,925)
Debt service - principal	430,202	420,371	9,831
Debt service - interest	276,086	256,706	19,380
	<u>7,328,828</u>	<u>7,658,025</u>	<u>(329,197)</u>
EXCESS REVENUES (EXPENDITURES)	<u>433,800</u>	<u>291,476</u>	<u>(142,324)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	30,250	30,250	0
Transfers out	(592,908)	(642,357)	(49,449)
Total other financing sources (uses)	<u>(562,658)</u>	<u>(612,107)</u>	<u>(49,449)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (128,858)</u>	<u>(320,631)</u>	<u>\$ (191,773)</u>
FUND BALANCES - JULY 1, 2004		<u>1,286,701</u>	
FUND BALANCES - JUNE 30, 2005		<u>\$ 966,070</u>	

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Enterprise Funds			
	Water Fund	Sewer Fund	Parking Fund	Totals
ASSETS				
Current Assets				
Cash	\$ 712,315	\$ 1,015,247	\$ 50	\$ 1,727,612
Receivables				
Water/sewer and other fees	494,658	377,913	0	872,571
Grants	0	88,303	0	88,303
Other	905	82,894	5,677	89,476
Note Receivable - Current Portion	0	5,320	0	5,320
Due from other funds	345,000	195,699	0	540,699
Prepaid expenses	0	0	3,096	3,096
Inventory	59,254	4,700	0	63,954
Total current assets	1,612,132	1,770,076	8,823	3,391,031
Noncurrent assets				
Note receivable - Town of Berlin	0	15,979	0	15,979
Capital assets				
Construction in progress	1,649,554	63,757	0	1,713,311
Land	32,000	0	218,672	250,672
Buildings	11,557,678	9,709,565	0	21,267,243
Improvements other than buildings	6,843,211	18,251,405	189,275	25,283,891
Machinery, equipment and computers	501,079	483,325	88,567	1,072,971
Accumulated depreciation	(3,010,064)	(9,497,187)	(171,888)	(12,679,139)
Total noncurrent assets	17,573,458	19,026,844	324,626	36,924,928
Total assets	19,185,590	20,796,920	333,449	40,315,959
LIABILITIES				
Current Liabilities				
Accounts payable	22,749	66,140	5,347	94,236
Construction payable	227,046	111,900	0	338,946
Due to other funds	1,515,764	0	76,804	1,592,568
Accrued payroll and related expenses	5,406	7,160	2,683	15,249
Accrued interest payable	33,724	11,103	0	44,827
Bonds payable - current portion	375,000	383,480	0	758,480
Total current liabilities	2,179,689	579,783	84,834	2,844,306
Noncurrent Liabilities				
Bonds payable	7,585,000	9,861,669	0	17,446,669
Accrued compensated absences	34,357	40,516	15,002	89,875
Total noncurrent liabilities	7,619,357	9,902,185	15,002	17,536,544
Total liabilities	9,799,046	10,481,968	99,836	20,380,850
NET ASSETS				
Invested in property & equipment	9,386,412	10,106,308	324,626	19,817,346
Restricted	0	0	41,220	41,220
Unrestricted	132	208,644	(132,233)	76,543
Total net assets	\$ 9,386,544	\$ 10,314,952	\$ 233,613	\$ 19,935,109

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Enterprise Funds			
	Water Fund	Sewer Fund	Parking Fund	Totals
OPERATING REVENUES				
Charges for services	\$ 1,685,297	\$ 2,467,692	\$ 528,515	\$ 4,681,504
Interest and penalties - customers	16,859	16,081	0	32,940
Miscellaneous	342	4,582	229	5,153
Total operating revenues	<u>1,702,498</u>	<u>2,488,355</u>	<u>528,744</u>	<u>4,719,597</u>
OPERATING EXPENSES				
Administration	422,133	292,170	57,253	771,556
Supplies and treatment	473,866	1,405,882	0	1,879,748
Distribution system	290,140	0	0	290,140
Collection system	0	252,190	0	252,190
Equipment Charge	97,260	173,928	12,603	283,791
Delinquent collection	16,228	16,649	0	32,877
Meter operations	48,945	0	0	48,945
Private sewer system maintenance	0	6,285	0	6,285
Parking enforcement	0	0	309,005	309,005
Parking lot leases	0	0	95,433	95,433
Parking lot maintenance	0	0	100,983	100,983
Depreciation expense	395,861	487,541	16,364	899,766
Total operating expenses	<u>1,744,433</u>	<u>2,634,645</u>	<u>591,641</u>	<u>4,970,719</u>
OPERATING INCOME/(LOSS)	<u>(41,935)</u>	<u>(146,290)</u>	<u>(62,897)</u>	<u>(251,122)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment income	27,594	0	0	27,594
Interest expense	(419,614)	(139,234)	0	(558,848)
Total non-operating revenue (expenses)	<u>(392,020)</u>	<u>(139,234)</u>	<u>0</u>	<u>(531,254)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS				
CONTRIBUTIONS AND TRANSFERS	(433,955)	(285,524)	(62,897)	(782,376)
CAPITAL CONTRIBUTIONS	0	205,862	0	205,862
TRANSFERS IN	8,250	8,250	0	16,500
TRANSFERS OUT	0	(14,500)	(10,000)	(24,500)
CHANGE IN NET ASSETS	<u>(425,705)</u>	<u>(85,912)</u>	<u>(72,897)</u>	<u>(584,514)</u>
TOTAL NET ASSETS - JULY 1, 2004	<u>9,812,249</u>	<u>10,400,864</u>	<u>306,510</u>	<u>20,519,623</u>
TOTAL NET ASSETS - JUNE 30, 2005	<u>\$ 9,386,544</u>	<u>\$ 10,314,952</u>	<u>\$ 233,613</u>	<u>\$ 19,935,109</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Enterprise Funds			
	Water Fund	Sewer Fund	Parking Fund	Totals
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,737,659	\$ 2,557,184	\$ 501,902	\$ 4,796,745
Cash payments to suppliers for goods and services	(451,034)	(972,139)	(213,104)	(1,636,277)
Cash payments to employees	(573,650)	(771,057)	(308,620)	(1,653,327)
Cash payments for interfund services	(327,592)	(382,588)	(69,856)	(780,036)
Net cash from (to) operating activities	<u>385,383</u>	<u>431,400</u>	<u>(89,678)</u>	<u>727,105</u>
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	0	(14,500)	(10,000)	(24,500)
Transfers from other funds	8,250	8,250	0	16,500
Interfund loans	634,809	(338,455)	104,917	401,271
Net cash from/(to) non-capital financing activities	<u>643,059</u>	<u>(344,705)</u>	<u>94,917</u>	<u>393,271</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(4,315,991)	(292,433)	0	(4,608,424)
Proceeds from capital debt	5,550,000	1,665,528	0	7,215,528
Purchases of capital assets	(1,761,688)	(535,093)	(5,239)	(2,302,020)
Capital contributions	0	205,862	0	205,862
Decrease (increase) in grant receivables	14,129	113,260	0	127,389
Increase (decrease) in construction payable	64,934	(104,840)	0	(39,906)
Increase (decrease) in accrued interest	15,409	10,182	0	25,591
Interest paid on capital debt	(419,614)	(139,234)	0	(558,848)
Net cash from (to) financing activities	<u>(852,821)</u>	<u>923,232</u>	<u>(5,239)</u>	<u>65,172</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:				
Investment income	27,594	0	0	27,594
Payments received on notes	0	5,320	0	5,320
Net cash from (to) investing activities	<u>27,594</u>	<u>5,320</u>	<u>0</u>	<u>32,914</u>
NET INCREASE IN CASH	203,215	1,015,247	0	1,218,462
CASH AND CASH EQUIVALENTS - JULY 1, 2004	509,100	0	50	509,150
CASH AND CASH EQUIVALENTS - JUNE 30, 2005	<u>\$ 712,315</u>	<u>\$ 1,015,247</u>	<u>\$ 50</u>	<u>\$ 1,727,612</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income/(loss)	\$ (41,935)	\$ (146,290)	\$ (62,897)	\$ (251,122)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	395,861	487,541	16,364	899,766
(Increase) decrease in:				
Accounts receivable	34,265	49,332	0	83,597
Other receivable	896	19,497	1,808	22,201
Inventory	(6,000)	(1,937)	0	(7,937)
Prepaid expense	0	0	(3,096)	(3,096)
Increase (decrease) in:				
Accounts payable	(1,440)	17,243	(18,539)	(2,736)
Accrued payroll, vacations and related accounts	3,736	6,014	5,332	15,082
Deferred revenue	0	0	(28,650)	(28,650)
Total adjustments	<u>427,318</u>	<u>577,690</u>	<u>(26,781)</u>	<u>978,227</u>
Net cash from (to) operating activities	<u>\$ 385,383</u>	<u>\$ 431,400</u>	<u>\$ (89,678)</u>	<u>\$ 727,105</u>

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

CITY OF MONTPELIER, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	Agency Funds
ASSETS	
Other receivable	\$ 550
Due from other funds	87,274
Prepaid expenses	3,434
Total assets	\$ 91,258
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Due to Fire District	\$ 14,067
Due to the Downtown Program	60,131
Due to Barre Street Playground	17,060
Total liabilities	\$ 91,258

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

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, water, wastewater treatment and general administrative services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, and GASB 14 as amended by GASB 39 include whether:

- the organization is legally separate (can sue and be sued in its own name), or
- the City holds the corporate powers of the organization, or
- the City appoints a voting majority of the organization's board, or
- the City is able to impose its will on the organization, or
- the organization has the potential to impose a financial benefit/burden on the City, or
- there is fiscal dependency by the organization on the City, or
- the nature and significance of the relationship of the other entity with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the aforementioned criteria, the City has one component unit, The Green Mountain Cemetery Commission. Although legally separate, the commission is blended as a governmental non major fund into the primary government. Separate financial statements for the commission are not issued.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, library and recreation, public works, and general administrative services are classified as governmental activities. The City's water, sewer and parking services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's governmental functions and business-type activities. The functions are also supported by general government revenue (property taxes and other local revenue). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants. Program revenue must be directly associated with the governmental function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by governmental function or business-type activity) are normally covered by general revenue (property taxes, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures/expenses. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund, Community Development Fund, Capital Projects Fund, Water Fund, Sewer Fund and Parking Fund are shown as major funds. All other funds are nonmajor and are combined in a single column in the fund financial statements.

The City reports on the following major governmental funds;

General fund 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 is used to account for the Community Development grant and loan programs throughout the City.

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

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the major proprietary funds of the City:

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.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following:

Agency Funds

Agency Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement Focus

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

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when transactions are incurred.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or 60 days for property taxes and related items and within six months for all other revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. 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.

Budgets and Budgetary Accounting

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

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

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. 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.

Investments

Investments are stated at fair value, (quoted market price of the best available estimate).

Inventories

Inventories are 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. Reported inventories in the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40-100 years
Building improvements	20-75 years
Land improvements	15-20 years
Machinery and equipment	5-20 years
Parking installations	15 years
Infrastructure	25 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets prospectively starting July 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Accrued Compensated Absences

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts. 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.

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Deferred Revenue

Deferred revenue consists of the following:

- General Fund - Delinquent taxes not collected within sixty (60) days after year end and grant revenue not spent in the 2004-2005 fiscal year.
- Community Development Fund – Long-term receivables.
- Other Governmental Funds – Grant revenue not spent in the 2004-2005 fiscal year.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed by their external creditors, grantors or laws or regulations of other governments.

Fund Balances

Equity is classified in the following categories:

Reserved - Indicates the portion of fund equity that has been legally segregated or encumbered for specific future uses or not available for appropriation.

Unreserved - Indicates the portion of fund equity that is available for appropriation and expenditure in future periods.

Capitalized Interest

The City capitalizes net interest costs and interest earned as part of the cost of constructing various Enterprise Fund projects when material. The City expensed all interest costs in the fiscal year ended June 30, 2005.

Interfund Activities

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Treasurer is authorized to invest excess deposits and investments according to policies set by the City Council.

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$630,843 of the government's bank balance of \$3,332,721 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 630,843</u>
--------------------------------	-------------------

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 – DEPOSITS AND INVESTMENTS

Investments

Investments at June 30, 2005 are as follows:

Investment Type:	
Mutual Funds	\$ 634,273
Common Stock	1,192
	<u>\$ 635,465</u>

Credit Risk – Investments. The City has an investment policy that limits its investment choices to policies set by the City Council.

Investment income is comprised of the following components for the year ended June 30, 2005:

	Interest & Dividends	Realized and Unrealized Gains	Total
General Fund	\$ 21,514	\$ 0	\$ 21,514
Community Development	11,700	0	11,700
Other governmental	34,483	8,058	42,541
Enterprise Funds	27,594	0	27,594
Total	<u>\$ 95,291</u>	<u>\$ 8,058</u>	<u>\$ 103,349</u>

NOTE 3 – RECEIVABLES AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS

Receivables are shown net of any allowance for uncollectible accounts. The balances for June 30, 2005, are as follows:

	Total Receivables	Uncollectible Allowance	Net Receivables
General Fund:			
Taxes receivable	\$ 127,307	\$ 7,400	\$ 119,907
Ambulance receivables	384,497	339,000	45,497
Total General Fund	<u>511,804</u>	<u>346,400</u>	<u>165,404</u>
Enterprise Funds:			
Water Fund (Billed and unbilled)	497,858	3,200	494,658
Sewer Fund (Billed and unbilled)	381,713	3,800	377,913
Total Enterprise Funds	<u>879,571</u>	<u>7,000</u>	<u>872,571</u>
Total	<u>\$ 1,391,375</u>	<u>\$ 353,400</u>	<u>\$ 1,037,975</u>

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

The City has combined some of the cash resources of its governmental and proprietary fund types for accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2005 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General Fund	\$ 599,550	\$ 432,274
Community Development Fund	0	113,615
Capital Projects Fund	796,829	0
Other governmental funds		
Justice Fund	16,645	0
Green Mount Cemetery	10,091	0
Montpelier Park Commission	29,985	0
Police grants	29,277	0
Montpelier Events Fund	25,978	0
Cemetery Trust - Expendable	0	292,084
Cemetery Trust - Non expendable	294,213	0
Montpelier Foundation	0	0
Total other governmental funds	406,189	292,084
Total governmental funds	1,802,568	837,973
Enterprise Funds		
Water	345,000	1,515,764
Sewer	195,699	0
Parking	0	76,804
Total Enterprise Funds	540,699	1,592,568
Agency Funds	87,274	0
Total	\$ 2,430,541	\$ 2,430,541

A loan of \$365,000 was made to the General Fund from the Water Fund in fiscal year 2003. \$20,000 principal is due annually from December 2004 to December 2013 and \$15,000 is due annually from December 2014 to December 2020, plus interest at 3.653%. The balance on June 30, 2005 was \$345,000.

CITY OF MONTPELIER, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005 are as follows:

		Transfer from					Totals
		General Fund	Community Development Fund	Other Governmental Funds	Sewer Fund	Parking Fund	
Transfer to	General Fund	\$ 0	\$ 15,750	\$ 0	\$ 14,500	\$ 0	\$ 30,250
	Capital Projects Fund	429,113	0	0	0	0	429,113
	Other Governmental Funds	196,744	0	66,319	0	10,000	273,063
	Water Fund	8,250	0	0	0	0	8,250
	Sewer Fund	8,250	0	0	0	0	8,250
	Totals	<u>\$ 642,357</u>	<u>\$ 15,750</u>	<u>\$ 66,319</u>	<u>\$ 14,500</u>	<u>\$ 10,000</u>	<u>\$ 748,926</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The General Fund made transfers to the Capital Projects Fund of \$429,113 to fund certain projects occurring during fiscal year 2005 according to budgetary authorizations. The General Fund made transfers of \$196,744 to Other Governmental Funds, \$188,725 of this amount was according to budgetary authorizations, \$8,019 was a one time transfer to the Justice Fund. The transfers to the Water and Sewer Fund of \$8,250 was made due to a sale of equipment.

The Community Development Fund transfer of \$15,750 and the Sewer Fund transfer of \$14,500 to the General Fund were done according to budgetary authorizations.

The Parking Fund transfer of \$10,000 was done according to budgetary authorizations.

NOTE 6 – COMMUNITY DEVELOPMENT LOANS

There are approximately 80 loans to residents, businesses, and non-profit organizations that were funded with various community development grants and loans. The largest outstanding balance is approximately \$600,000 and there are two other loans with balances over \$100,000. The terms of the loans vary depending on the type of the loan allowed per the grant agreements. Interest rates vary between 0% and 8%. The total balances of these loans are \$1,716,178 with an allowance for uncollectible loans of \$28,741 leaving a net balance of \$1,687,437.

NOTE 7 – LOANS RECEIVABLE

General Fund

A loan of \$443,000 was made to Connor Brothers with monthly payments of \$2,889 beginning January 1, 2001 through October 1, 2015 with one final principal payment on November 1, 2015 of \$35,000, interest at 2.7%. The balance of the loan on June 30, 2005 was \$341,528.

Sewer Fund

A loan of \$100,321 was made to the Town of Berlin with quarterly payments beginning in 1982 and ending in 2009, ranging from \$3,000 to \$1,400, with a variable interest rate from 7.6 to 7.5%. The balance of the loan on June 30, 2005 was \$21,299.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	June 30, 2004	Additions	Disposals	Depreciation	June 30, 2005
Governmental Activities					
Capital assets not depreciated:					
Construction in progress	\$ 149,385	\$ 990,404	\$ 0	\$ 0	\$ 1,139,789
Land	591,550	0	0	0	591,550
Total capital assets not depreciated	<u>740,935</u>	<u>990,404</u>	<u>0</u>	<u>0</u>	<u>1,731,339</u>
Depreciable capital assets:					
Buildings and improvements	5,151,563	15,846	0	0	5,167,409
Equipment and vehicles	4,114,983	463,438	(335,350)	0	4,243,071
Infrastructure	504,601	100,710	0	0	605,311
Total depreciable capital assets	<u>9,771,147</u>	<u>579,994</u>	<u>(335,350)</u>	<u>0</u>	<u>10,015,791</u>
Accumulated depreciation:					
Buildings and improvements	1,192,904	0	0	85,716	1,278,620
Equipment and vehicles	1,928,526	0	(302,580)	345,080	1,971,026
Infrastructure	11,463	0	0	23,772	35,235
Total accumulated depreciation	<u>3,132,893</u>	<u>0</u>	<u>(302,580)</u>	<u>454,568</u>	<u>3,284,881</u>
Depreciable capital assets, net	<u>6,638,254</u>	<u>579,994</u>	<u>(32,770)</u>	<u>(454,568)</u>	<u>6,730,910</u>
Capital assets, net	<u>\$ 7,379,189</u>	<u>\$ 1,570,398</u>	<u>\$ (32,770)</u>	<u>\$ (454,568)</u>	<u>\$ 8,462,249</u>
	June 30, 2004	Additions	Disposals	Depreciation	June 30, 2005
Business-type Activities					
Capital assets not depreciated:					
Construction in progress	\$ 1,127,577	\$ 585,734	\$ 0	\$ 0	\$ 1,713,311
Land	250,672	0	0	0	250,672
Total capital assets not depreciated	<u>1,378,249</u>	<u>585,734</u>	<u>0</u>	<u>0</u>	<u>1,963,983</u>
Depreciable capital assets:					
Buildings	21,267,243	0	0	0	21,267,243
Improvements	23,678,915	1,604,976	0	0	25,283,891
Equipment and vehicles	961,661	111,310	0	0	1,072,971
Total depreciable capital assets	<u>45,907,819</u>	<u>1,716,286</u>	<u>0</u>	<u>0</u>	<u>47,624,105</u>
Accumulated depreciation:					
Buildings	1,864,845	0	0	411,329	2,276,174
Improvements	9,449,890	0	0	432,465	9,882,355
Equipment and vehicles	464,638	0	0	55,972	520,610
Total accumulated depreciation	<u>11,779,373</u>	<u>0</u>	<u>0</u>	<u>899,766</u>	<u>12,679,139</u>
Depreciable capital assets, net	<u>34,128,446</u>	<u>1,716,286</u>	<u>0</u>	<u>(899,766)</u>	<u>34,944,966</u>
Capital assets, net	<u>\$ 35,506,695</u>	<u>\$ 2,302,020</u>	<u>\$ 0</u>	<u>\$ (899,766)</u>	<u>\$ 36,908,949</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 161,619
Public safety	135,639
Highway and streets	149,967
Cemetery	7,343
Total governmental activities depreciation expense	<u>\$ 454,568</u>

Business-type activities:

Water	\$ 395,861
Sewer	487,541
Parking	16,364
Total business-type activities depreciation expense	<u>\$ 899,766</u>

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 – LONG TERM LIABILITIES

The following is a summary of changes of long-term liabilities for the year ended June 30, 2005:

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2004 (Restated)	\$ 20,544,366	\$ 4,856,761	\$ 15,687,605
New bonds and notes issued	8,065,528	850,000	7,215,528
Increase/Decrease in accrued vacation payable	8,376	8,061	315
Bonds and notes retired and capital lease payments	(5,035,158)	(426,734)	(4,608,424)
Long-term liabilities payable at June 30, 2005	23,583,112	5,288,088	18,295,024
Due within one year	1,187,285	428,805	758,480
Due after one year	\$ 22,395,827	\$ 4,859,283	\$ 17,536,544

The beginning balance of the Governmental Activities long-term liabilities has been increased by \$115,349. An ambulance loan of \$85,989 and two police car loans totaling \$29,360 were added that were previously not included in the long-term liabilities.

The City has authorized, but unissued long-term debt at June 30, 2005 as follows:

Purpose	Authorized	Amount
CSO Separation	March 1999	\$ 163,992
WWTP Improvement Plant	March 1995	81,956
Transportation Center	March 2002	800,000
District Heating	March 2003	250,000
Total		<u>\$ 1,295,948</u>

Maturities for long-term debt is as follows:

Year End June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 428,805	\$ 238,915	\$ 667,720	\$ 758,480	\$ 527,395	\$ 1,285,875
2007	415,078	219,332	634,410	946,011	507,862	1,453,873
2008	402,094	200,311	602,405	966,184	483,021	1,449,205
2009	365,000	181,781	546,781	856,372	460,725	1,317,097
2010	345,000	164,941	509,941	858,840	441,961	1,300,801
2011-2015	1,555,000	589,833	2,144,833	4,559,650	1,941,313	6,500,963
2016-2020	1,185,000	228,429	1,413,429	4,861,636	1,213,610	6,075,246
2021-2025	340,000	29,914	369,914	4,152,976	420,885	4,573,861
2026-2030	0	0	0	175,000	41,737	216,737
2031-2035	0	0	0	70,000	3,710	73,710
Total	<u>\$ 5,035,977</u>	<u>\$ 1,853,456</u>	<u>\$ 6,889,433</u>	<u>\$ 18,205,149</u>	<u>\$ 6,042,219</u>	<u>\$ 24,247,368</u>

Debt, other than Community Development Agency revenue debt, is backed by the full faith and credit of the taxing authority of the City of Montpelier, Vermont.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - LONG TERM LIABILITIES (Continued)

Long-term debt includes the following:

Governmental Activities

Berlin Street reconstruction bond, various interest rates (6.6 - 7.0%), to Vermont Municipal Bond Bank, refunded by the Vermont Municipal Bond Bank August 2, 1995 from 1991 Series 1 to 1995 Series 1 and 2, principal payable in annual installments of \$10,000 to December 1, 2005, and \$5,000 from December 1, 2006 to December 1, 2011.	\$ 40,000
Gould Hill Road improvement bond, various interest rates (3.8 - 5.4%), to Vermont Municipal Bond Bank, \$41,700 principal due annually from December 1, 1994 to December 1, 2008, and \$24,500 principal due December 1, 2009.	191,300
Bridge Improvement bond, various interest rates (3.8 - 5.4%), to Vermont Municipal Bond Bank, \$3,300 principal due annually from December 1, 1994 to December 1, 2008, and \$500 principal due December 1, 2009.	13,700
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.	60,000
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 due annually from December 1, 2008 to December 1, 2017.	470,000
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.	435,000
Fire Truck bond, net interest at 4.08%, \$30,000 principal payments due annually December 1, 1999 to December 1, 2002, \$25,000 from December 1, 2003 to December 1, 2013.	225,000
Retaining wall bond, net interest at 4.789%, \$50,000 principal payments due annually December 1, 1999 to December 1, 2003, \$45,000 from December 1, 2004 to December 1, 2018.	630,000

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 – LONG TERM LIABILITIES (Continued)

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.	480,000
Bike path, Lighting project bond, interest at 4.67%, to Vermont Municipal Bond Bank, \$25,000 principal due annually, due in December 2021.	340,000
Montpelier Police Station, various interest rates (4.344 - 5.644%), to Vermont Municipal Bond Bank, \$75,000 principal due annually from December 1, 2001 to December 1, 2020.	1,170,000
Public Works Facilities Improvements Bonds payable, various interest rates (6.8 - 7.6%), \$15,000 principal payable annually to December 1, 2006, \$10,000 due December 1, 2007 to Vermont Municipal Bond Bank.	40,000
Northfield Savings Bank, interest at 3.5%, \$622 payable monthly, due August 2007. Secured by vehicle.	15,998
General Motors Acceptance Corporation, interest at 5.4%, two annual payments of \$10,167, due July 2005. Secured by vehicle.	9,647
Kislak National Bank, interest at 5.05%, annual payments of \$25,000 due from July 2001 through July 2007. Secured by ambulance.	65,332
City Hall Improvement bond, various interest rates (1.87 - 5.09%), to Vermont Municipal Bond Bank, \$45,000 principal due annually from December 1, 2005 to December 1, 2014 and \$40,000 principal due from December 1, 2015 to December 1, 2024.	850,000
Total governmental activities bonds and notes payable	<u>5,035,977</u>
Accrued vacation payable	<u>252,111</u>
Total governmental activities long-term liabilities	<u>5,288,088</u>

Business-type Activities

Water Fund

Water supply system improvement bond, various interest rates (6.8 - 7.6%), to Vermont Municipal Bond Bank, principal payable in annual installments of \$80,000 increasing to \$120,000 until December 1, 2007.	345,000
Water filtration system bonds 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.	2,065,000

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 – LONG TERM LIABILITIES (Continued)

Vermont water system improvement bond refinanced July 2004 through the Vermont Bond Bank, interest rates (1.87 - 5.09%), payable June 1 and December 1, and principal payable in various annual installments increasing from \$145,000 to \$310,000 until December 1, 2024.	4,150,000
Westside connector 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 \$50,000 to \$105,000 until December 1, 2024.	1,400,000
Total Water Fund bonds payable	<hr style="border: 0.5px solid black;"/> 7,960,000
 <u>Sewer Fund</u>	
Water pollution control facility - bond payable, various interest rates (6.8 - 7.6%), average annual principal of \$12,000 until December 1, 2008 to Vermont Municipal Bond Bank.	49,057
Sewer system improvement bond, zero interest rate, average annual principal of \$21,500 until December 1, 2016 to Vermont Municipal Bond Bank.	264,589
Sewer system improvement bond, zero interest rate, average annual principal of \$38,856 until December 1, 2017 to Vermont Municipal Bond Bank.	505,122
Sewer system improvement bond, net interest rate 5.676%, annual principal of \$30,000 until December 1, 2016 to Vermont Municipal Bond Bank.	360,000
Sewer system improvement bond, zero interest rate, annual principal of \$14,156 until December 2018 to Vermont Municipal Bond Bank.	198,187
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.	1,480,000
Sewer system improvement bond, zero interest rate, annual principal of \$35,497 until June 2019 to Vermont Municipal Bond Bank.	532,455
Water treatment improvement bond, zero interest rate, annual principal of \$25,740 from October 2005 until January 2024 to Vermont Municipal Bond Bank,	3,400,251

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 – LONG TERM LIABILITIES (Continued)

Water treatment improvement bond, zero interest rate, annual principal of \$13,255 from January 2003 to January 2022 to Vermont Municipal Bond Bank.	225,332
Sewer system improvement bond, zero interest rate, annual principal of \$26,294 from January 2003 to January 2022 to Vermont Municipal Bond Bank,	446,998
Water treatment improvement bond, zero interest rate, annual principal of \$37,751 starting in fiscal year 2004 for 20 years to Vermont Municipal Bond Bank,	619,200
Water treatment improvement bond, zero interest rate, annual principal of \$29,178 starting in fiscal year 2004 for 20 years to Vermont Municipal Bond Bank,	495,221
Water treatment improvement bond, zero interest rate, annual principal of \$25,785 starting in fiscal year 2006 for 20 years to Vermont Municipal Bond Bank,	648,737
Local share CSO bond, 4.96% interest rate, annual principal of \$40,000 until 2020 then annual payments of \$35,000 until 2030 plus interest to Vermont Municipal Bond Bank.	<u>1,020,000</u>
Total Sewer Fund bonds payable	<u>10,245,149</u>
Total Proprietary Funds bonds payable	<u><u>\$ 18,205,149</u></u>

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 10 – FUND BALANCE RESERVES

The changes in reserved fund balances are as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2005</u>
Reserved:			
Major Funds			
General Fund			
Inventories	\$ 81,603	\$ 1,920	\$ 83,523
Prepaid expenses	14,055	(2,779)	11,276
Fiscal year 2006 expenditures	103,594	0	103,594
Act 60 reappraisal	33,172	1,286	34,458
Records restoration	34,224	(2,769)	31,455
Armory note receivable	366,736	(25,208)	341,528
Park impact fees	26,324	(3,500)	22,824
Parks wetland	140	0	140
Ambulance	36,484	(12,120)	24,364
City Hall Plaza	1,944	0	1,944
Drug seizure	0	100	100
Civil air patrol	6,905	0	6,905
Total general fund reserved	<u>\$ 705,181</u>	<u>\$ (43,070)</u>	<u>\$ 662,111</u>
Community Development Fund			
Community Development	\$ 557,008	\$ 44,431	\$ 601,439
Comm. Dev. - program expenditures	13,941	3,760	17,701
Total community development	<u>\$ 570,949</u>	<u>\$ 48,191</u>	<u>\$ 619,140</u>
Capital Projects Fund			
Traffic Impact	19,227	(434)	18,793
Capital Grants	169,205	181,321	350,526
Total community development	<u>\$ 188,432</u>	<u>\$ 180,887</u>	<u>\$ 369,319</u>
Parking Fund:			
Impact Fees	59,738	(18,518)	41,220
Nonmajor Funds:			
Arts and Events	4,880	0	4,880
Conservaton Fund	41,293	745	42,038
Montpelier Foundation	76,635	8,750	85,385
George Blanchard Trust	62,640	558	63,198
Cemetery Trust - Non expendable	314,220	2,900	317,120
Hubbard Park Trust	14,620	0	14,620
Cemetery Trust - Expendable	282,929	11,284	294,213
Total Nonmajor Funds	<u>\$ 797,217</u>	<u>\$ 24,237</u>	<u>\$ 821,454</u>
Total Reserved Funds	<u><u>\$ 2,321,517</u></u>	<u><u>\$ 191,727</u></u>	<u><u>\$ 2,513,244</u></u>

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11 – FUND BALANCE DESIGNATIONS

The changes in designated fund balances are as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2005</u>
Designated:			
Major Funds			
General Fund			
Conservation commission	\$ 1,814	\$ 2,250	\$ 4,064
Fire revenue	21,964	(2,474)	19,490
Computer equipment	15,000	(7,742)	7,258
Tree Board	18,383	(3,533)	14,850
Equipment reserve	115,251	(98,960)	16,291
Zoning plan	112,000	(112,000)	0
Accounting	18,000	(18,000)	0
Parking Fund	88,980	43,253	132,233
Computer	26,780	(26,780)	0
Total General Fund	<u>\$ 418,172</u>	<u>\$ (223,986)</u>	<u>\$ 194,186</u>
Water Fund			
Designated for future improvements	\$ 145,090	\$ (144,958)	\$ 132
Designated for fiscal year 2005 expenditures	248,035	(248,035)	0
Total Designated Water Fund	<u>\$ 393,125</u>	<u>\$ (392,993)</u>	<u>\$ 132</u>
Sewer Fund			
Designated for future improvements	\$ 150,000	\$ (30,856)	\$ 119,144
Designated for vector replacement	75,000	14,500	89,500
Total Designated Sewer Fund	<u>\$ 225,000</u>	<u>\$ (16,356)</u>	<u>\$ 208,644</u>
Total Major Funds	<u>1,036,297</u>	<u>(633,335)</u>	<u>402,962</u>
Nonmajor Funds:			
Special Revenue Funds			
Cemetery	\$ 13,131	\$ (1,337)	\$ 11,794
Park Commission	17,895	7,704	25,599
Arts and Events funds	13,214	7,258	20,472
Total designated special revenue funds	<u>44,240</u>	<u>13,625</u>	<u>57,865</u>
Capital Project Funds			
Designated for future projects	242,064	104,625	346,689
Total designated capital projects	<u>242,064</u>	<u>104,625</u>	<u>346,689</u>
Total Nonmajor Funds	<u>286,304</u>	<u>118,250</u>	<u>404,554</u>
Total Designated Funds	<u>1,322,601</u>	<u>(515,085)</u>	<u>807,516</u>

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 12 – CONTINGENT LIABILITIES

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2005, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in a lawsuit pending in the Washington County Superior Court. The case presents claims by various unions representing City employees that the City has under funded the employees' retirement funds. The City is not covered under insurance in this matter and the City has calculated that if it is found exclusively liable, its potential exposure for payments since January 1, 2003 may be around \$90,000 and its potential exposure for the pre January 1, 2003 funded buy-in may be around \$900,000. The Court has invited the parties to file cross-motions for summary judgment. The City is unable to determine the likelihood that they will not prevail in this case.

NOTE 13 – 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 System, Cemetery and Recreation Department. City property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate for fiscal year 2004-2005 was as follows:

	<u>Residential</u>	<u>Non residential</u>
City, cemetery & outside agencies	\$ 1.0300	\$ 1.0300
State Education Tax	1.4079	1.5013
Water / Sewer benefit charge	0.1000	0.1000
Senior citizens/recreation	0.1100	0.1100
Total	<u>\$ 2.6479</u>	<u>\$ 2.7413</u>

NOTE 14 – PENSION PLAN

On January 1, 2003 the City joined Vermont Municipal Employees' Retirement System (VMERS). All eligible employees of the City are enrolled for coverage by the (VMERS) immediately upon employment. VMERS has a defined benefit plan that the City participates in as follows:

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 15 – PENSION PLAN (Continued)

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The City and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The City participates only in Group B and Group C. For Group B employee contributions are 4.5% of gross pay and employer contributions are 5% of gross pay and for Group C employee contributions are 9% of gross pay and employer contributions are 6% of gross pay.

Of the City's total payroll of \$4,845,835, \$3,992,247 was covered under the VMERS defined benefit plan. The total employer contribution to this plan was \$230,806 for fiscal year 2005, \$226,184 for fiscal year 2004 and \$107,649 for fiscal year 2003.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

NOTE 16 – DEFERRED COMPENSATION PLANS

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City does not contribute any funds to this plan.

NOTE 17 – COMMITMENTS

Prior Service Purchase Agreement with VMERS – The City switched pension plans to the Vermont Municipal Employees' Retirement System (VMERS) starting January 1, 2003. Upon the conversion, actuaries determined the amount of funds necessary to catch up the City employees to other people within the retirement system. The catch up amount of \$3,349,501 will be paid to VMERS as an additional contribution made yearly, based on a 30 year amortization period, 8% interest and a 5.6% yearly increase. Such payments will be adjusted for any changes in the actuarial assumptions under the plan. During fiscal year 2004, a lump sum payment of \$581,569 was made and the amount of the liability was recalculated to be \$2,815,576 on January 1, 2003. The yearly installment for fiscal year 2005 was \$145,502. The balance as of June 30, 2005 was \$2,989,777.

Parking Lot Leases – The City leases four different parking lots around Montpelier for approximately \$90,000 a year. All are cancelable by the City. The City is responsible for the repair maintenance and upkeep of the parking lots.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 17 – COMMITMENTS (Continued)

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

Green Mountain Community Baseball, Inc.

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

Montpelier Community Internet Cooperative

On January 20, 2005, the City guaranteed a \$62,820 note between the Montpelier Community Internet Cooperative and the Vermont Economic Development Authority. The note is unsecured and is backed by the full faith and credit of the taxing authority of the City of Montpelier, Vermont by the Guaranty of Indebtedness. The loan is due and payable in four years, including all principal, and interest.

NOTE 18 – RISK MANAGEMENT

The City of Montpelier 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 maintains insurance coverage through the Vermont League of Cities and towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City of Montpelier. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 19 – RESTATED FUND BALANCE/NET ASSETS

The Other Governmental Funds Fund Balance as of July 1, 2004 was increased by \$282,929 due to a reclassification of Private Purpose Trust funds as Permanent Funds.

The Governmental Activities Net Assets as of July 1, 2004 was increased by \$167,580 from \$7,262,982 to \$7,430,562 to reflect long term liabilities of \$115,349 that were not originally recorded as of June 30, 2004 and to reflect a reclassification of \$282,929 from the Private Purpose Trust.

NOTE 20 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2005, expenditures exceeded appropriations in the General Fund by \$378,646. The excess expenditures were funded by excess revenues and available fund balance.

NOTE 21 – BUDGETED DEFICIT

The City elected to budget expenditures in excess of revenues by \$128,858 in the General Fund in order to reduce the prior year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures in Exhibit G.

NOTE 22 – SUBSEQUENT EVENTS

On July 27, 2005, the City obtained a tax anticipation note up to \$1,000,000 from Community National Bank, interest at 2.89%. On July 28, 2005 the City borrowed \$500,000 and paid the amount back on August 13, 2005 plus \$871 of interest.

On August 30, 2005, the City refinanced two General Fund bonds for an accumulated savings of \$2,955 over the life of the loans, refinanced one Water Fund bond for an accumulated savings of \$348,090 over the life of the loan and refinanced one Sewer Fund bond for an accumulated savings of \$10,970 over the life of the loan.

CITY OF MONTPELIER, VERMONT
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES –
 BUDGET AND ACTUAL – GENERAL FUND
 YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes:			
Taxes	\$ 5,304,258	\$ 5,342,505	\$ 38,247
Payment in lieu of taxes	409,034	413,328	4,294
Interest and penalties	70,000	59,026	(10,974)
State administration allowance	0	9,008	9,008
Total property taxes	<u>5,783,292</u>	<u>5,823,867</u>	<u>40,575</u>
Permits and licenses:			
Business permits and licenses	8,000	9,485	1,485
Nonbusiness permits and licenses			
Dog licenses	2,600	2,285	(315)
Building permits	63,000	18,319	(44,681)
Miscellaneous other	0	13,500	13,500
Total permits and licenses	<u>73,600</u>	<u>43,589</u>	<u>(30,011)</u>
Intergovernmental revenues			
Federal grants			
Police	0	23,371	23,371
Fire	0	59,263	59,263
Schools-Resource Officer	50,953	52,598	1,645
State funds			
Highway aid	205,000	213,770	8,770
Payment - statutory	184,000	184,000	0
Act 60 reappraisal	0	20,342	20,342
Total intergovernmental revenues	<u>439,953</u>	<u>553,344</u>	<u>113,391</u>
Fees and charges for services			
General Government fees			
Recording documents	50,000	52,347	2,347
Records restoration fee	5,000	8,934	3,934
Planning dept fees	11,000	9,152	(1,848)
Sale of GIS materials	0	137	137
Photocopy machine	300	355	55
Clerk & Treasurer fees	17,600	10,889	(6,711)
Public Safety service fees			
Police Department	18,025	17,342	(683)
Outside police/fire service	4,500	6,109	1,609
Fire Department misc fees	300	662	362
Police Department misc fees	5,000	7,270	2,270
Ambulance services	303,529	289,999	(13,530)
Public Works service fees			
Stump dump fees	750	1,787	1,037
Miscellaneous public works	10,000	32,479	22,479
Support services	2,000	1,000	(1,000)
CPR course fees	400	1,393	993
Interdepartmental Charges	836,433	840,536	4,103
Total fees and charges for services	<u>1,264,837</u>	<u>1,280,391</u>	<u>15,554</u>

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

CITY OF MONTPELIER, VERMONT
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES –
 BUDGET AND ACTUAL – GENERAL FUND
 YEAR ENDED JUNE 30, 2005

Rents and commissions			
Memorial room rentals	0	1,489	1,489
Total rents and commissions	<u>0</u>	<u>1,489</u>	<u>1,489</u>
Fines and forfeitures			
Police fines and forfeitures	50,000	24,251	(25,749)
Total fines and forfeitures	<u>50,000</u>	<u>24,251</u>	<u>(25,749)</u>
Equipment Revenues			
Fuel sales	33,000	42,529	9,529
Equipment rental	12,000	19,020	7,020
Miscellaneous equipment revenue	5,000	8,961	3,961
Total equipment revenues	<u>50,000</u>	<u>70,510</u>	<u>20,510</u>
Interest and miscellaneous income			
Investment income	30,000	21,514	(8,486)
Other income	12,000	2,600	(9,400)
Capital Fire mutual aid	45,484	45,480	(4)
Insurance reimbursements	0	31,375	31,375
Miscellaneous reimbursements	4,060	7,532	3,472
Sale of equipment	0	34,100	34,100
Connor note receivable interest income	9,402	9,459	57
Total interest and miscellaneous income	<u>100,946</u>	<u>152,060</u>	<u>51,114</u>
Total revenues	<u>7,762,628</u>	<u>7,949,501</u>	<u>186,873</u>
OTHER FINANCING SOURCES			
Operating transfers in -			
Transfer from Sewer Fund	14,500	14,500	0
Transfer from CDA	15,750	15,750	0
Total other financing sources	<u>30,250</u>	<u>30,250</u>	<u>0</u>
Total revenues and other financing sources	<u>\$ 7,792,878</u>	<u>\$ 7,979,751</u>	<u>\$ 186,873</u>

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

CITY OF MONTPELIER, VERMONT
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL – GENERAL FUND
 YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Department of Finance			
General Government -			
Finance	\$ 225,331	\$ 244,284	\$ (18,953)
Technology services	137,058	143,379	(6,321)
Total department of finance	<u>362,389</u>	<u>387,663</u>	<u>(25,274)</u>
Office of City Clerk/Treasurer			
General Government -			
City Clerk/Treasurer	246,823	254,106	(7,283)
Office of Assessor			
General Government -			
Property assessment	83,948	103,110	(19,162)
City Hall maintenance	129,034	163,156	(34,122)
Total office of assessor	<u>212,982</u>	<u>266,266</u>	<u>(53,284)</u>
Department of Planning and Development			
General Government -			
Planning, zoning and development	383,794	350,251	33,543
Police Department			
Police administration	1,205,855	1,155,536	50,319
Resource grant	50,953	52,778	(1,825)
Communications	320,015	325,909	(5,894)
Small equipment	2,000	3,524	(1,524)
Total police department	<u>1,578,823</u>	<u>1,537,747</u>	<u>41,076</u>
Fire Department			
Fire - EMS	1,411,451	1,363,499	47,952
Emergency management	6,195	6,528	(333)
Total fire department	<u>1,417,646</u>	<u>1,370,027</u>	<u>47,619</u>
Department of Public Works			
Highway and streets -			
Streets	1,146,265	1,195,292	(49,027)
Fleet operations	392,147	446,868	(54,721)
Building operations	48,240	47,087	1,153
Health regulation/inspection	8,498	8,211	287
Total department of public works	<u>1,595,150</u>	<u>1,697,458</u>	<u>(102,308)</u>

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

SCHEDULE 2

CITY OF MONTPELIER, VERMONT
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL – GENERAL FUND
 YEAR ENDED JUNE 30, 2005

Non-departmental			
General Government -			
City Council	30,993	28,681	2,312
City Manager	250,680	266,004	(15,324)
County tax	55,000	51,475	3,525
Reappraisal expenses	0	16,254	(16,254)
Solid waste district fee	16,873	16,907	(34)
Green mountain transit	20,000	20,000	0
Other expenses	0	10,514	(10,514)
Total general government	<u>373,546</u>	<u>409,835</u>	<u>(36,289)</u>
Culture and Recreation -			
Wrightsville Beach	3,616	3,616	0
Tree management	11,258	14,791	(3,533)
Outside agencies	187,823	192,823	(5,000)
Inside agencies	20,000	20,000	0
Barre street playground	0	17,000	(17,000)
Conservation	3,700	1,450	2,250
Total culture and recreation	<u>226,397</u>	<u>249,680</u>	<u>(23,283)</u>
Capital outlay -			
Technology services	0	37,512	(37,512)
Police equipment	0	16,640	(16,640)
Fire & EMS	0	79,813	(79,813)
Equipment	224,990	323,950	(98,960)
Total capital outlay	<u>224,990</u>	<u>457,915</u>	<u>(232,925)</u>
Debt service -			
Principal	430,202	420,371	9,831
Interest	276,086	256,706	19,380
Total debt service	<u>706,288</u>	<u>677,077</u>	<u>29,211</u>
Total expenditures	<u>7,328,828</u>	<u>7,658,025</u>	<u>(329,197)</u>
OTHER FINANCING USES			
Transfer to Special Revenue Fund	15,050	23,069	(8,019)
Transfer to Water Fund	0	8,250	(8,250)
Transfer to Sewer Fund	0	8,250	(8,250)
Transfer to Capital Projects	404,183	429,113	(24,930)
Transfer to Cemetery	86,350	86,350	0
Transfer to Parks	87,325	87,325	0
Total other financing uses	<u>592,908</u>	<u>642,357</u>	<u>(49,449)</u>
Total expenditures and other financing uses	<u>\$ 7,921,736</u>	<u>\$ 8,300,382</u>	<u>\$ (378,646)</u>

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

SCHEDULE 3

CITY OF MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds						Permanent Funds				Total Other Governmental Funds	
	Green Mount Cemetery	Montpelier Park Commission	Police Grants	Montpelier Event Fund	Justice Fund	Conservation Fund	Montpelier Foundation	George Blanchard Trust	Non expendable Cemetery Trust	Hubbard Park Trust		Expendable Cemetery Trust
ASSETS												
Cash	\$ 1,591	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,038	\$ 23,513	\$ 63,198	\$ 36,803	\$ 14,663	\$ 0	\$ 181,806
Investments	1,192	0	0	0	0	0	61,872	0	572,401	0	0	635,465
Receivables												
Federal grants	7,378	0	0	0	0	0	0	0	0	0	0	7,378
Other	0	168	0	0	0	0	0	0	0	0	0	168
Due from other funds	10,091	29,985	29,277	25,978	16,645	0	0	0	0	0	294,213	406,189
Total assets	\$ 20,252	\$ 30,153	\$ 29,277	\$ 25,978	\$ 16,645	\$ 42,038	\$ 85,385	\$ 63,198	\$ 609,204	\$ 14,663	\$ 294,213	\$ 1,231,006
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ 7,426	\$ 4,025	\$ 3,592	\$ 626	\$ 737	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43	\$ 0	16,449
Accrued payroll, vacation and related accounts payable	1,032	529	0	0	3,391	0	0	0	0	0	0	4,952
Due to other funds	0	0	0	0	0	0	0	0	292,084	0	0	292,084
Deferred revenue	0	0	25,685	0	12,517	0	0	0	0	0	0	38,202
Total liabilities	8,458	4,554	29,277	626	16,645	0	0	0	292,084	43	0	351,687
FUND BALANCES												
Reserved	0	0	0	4,880	0	42,038	85,385	63,198	317,120	14,620	294,213	821,454
Unreserved	11,794	25,599	0	20,472	0	0	0	0	0	0	0	57,865
Total fund balances	11,794	25,599	0	25,352	0	42,038	85,385	63,198	317,120	14,620	294,213	879,319
Total liabilities and fund balances	\$ 20,252	\$ 30,153	\$ 29,277	\$ 25,978	\$ 16,645	\$ 42,038	\$ 85,385	\$ 63,198	\$ 609,204	\$ 14,663	\$ 294,213	\$ 1,231,006

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

SCHEDULE 4

CITY OF MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue						Permanent Funds				Total Other Governmental Funds	
	Green Mount Cemetery	Montpelier Park Commission	Police Grants	Montpelier Event Fund	Justice Fund	Conservation Fund	Montpelier Foundation	George Blanchard Trust	Non expendable Cemetery Trust	Hubbard Park Trust		Expendable Cemetery Trust
REVENUES:												
Intergovernmental	\$ 0	\$ 4,781	\$ 0	\$ 0	\$ 107,317	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 112,098
Charges for services	30,301	0	0	0	0	0	0	0	0	0	0	30,301
Investment income	(51)	120	0	0	0	745	3,750	558	37,284	135	0	42,541
Contributions	3,250	605	0	0	0	0	5,000	0	0	0	0	8,855
Rents and commissions	0	3,620	0	0	0	0	0	0	0	0	0	3,620
Miscellaneous	1,966	1,103	13,477	53,687	1,957	0	0	0	0	0	0	72,190
Total revenues	35,466	10,229	13,477	53,687	109,274	745	8,750	558	37,284	135	0	269,605
EXPENDITURES:												
Culture and recreation	0	89,985	0	61,479	0	0	0	0	0	0	0	151,464
Cemetery expenses	149,161	0	0	0	0	0	0	0	0	0	0	149,161
Public safety	0	0	13,477	0	117,293	0	0	0	0	0	0	130,770
Debt service - interest	729	0	0	0	0	0	0	0	0	0	0	729
Debt service - principal	6,363	0	0	0	0	0	0	0	0	0	0	6,363
Total expenditures	156,253	89,985	13,477	61,479	117,293	0	0	0	0	0	0	438,487
EXCESS REVENUES (EXPENDITURES)	(120,787)	(79,756)	0	(7,792)	(8,019)	745	8,750	558	37,284	135	0	(168,882)
OTHER FINANCING SOURCES (USES):												
Transfers in	122,350	87,460	0	15,050	8,019	0	0	0	2,900	0	37,284	273,063
Transfers out	(2,900)	0	0	0	0	0	0	0	(37,284)	(135)	(26,000)	(66,319)
Total other financing sources (uses)	119,450	87,460	0	15,050	8,019	0	0	0	(34,384)	(135)	11,284	206,744
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,337)	7,704	0	7,258	0	745	8,750	558	2,900	0	11,284	37,862
FUND BALANCES - JULY 1, 2004 (Restated)	13,131	17,895	0	18,094	0	41,293	76,635	62,640	314,220	14,620	282,929	841,457
FUND BALANCES - JUNE 30, 2005	\$ 11,794	\$ 25,599	\$ 0	\$ 25,352	\$ 0	\$ 42,038	\$ 85,385	\$ 63,198	\$ 317,120	\$ 14,620	\$ 294,213	\$ 879,319

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