

**CITY OF MONTPELIER, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2006**

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AUDIT REPORT  
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**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  
VT Lic. #92-000180

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, 2006, which collectively comprise the City of Montpelier, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Montpelier, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont, at June 30, 2006, 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

City of Montpelier, Vermont

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements for the other governmental funds 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 13, 2006  
Montpelier, Vermont  
Vt Lic. #92-000180

CITY OF MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. Please read it in conjunction with the City's financial statements which begin on Exhibit A.

**Financial Highlights**

*Government-Wide*

- The City's net assets increased by \$2,690,065 as a result of this year's operations. While net assets of the business-type activities decreased by \$167,210, or .8 percent, net assets of the governmental activities increased by \$2,857,275, or 35.4 percent.
- The cost of all of the City's programs was \$13,833,151 in fiscal year 2006 compared to \$12,538,043 in fiscal year 2005, which is approximately a 10 % increase.

*Fund Statements*

- During fiscal year 2006, the General Fund reported a net decrease in the fund balance of \$117,768, which was \$12,021 better than budget. The current year decrease in fund balance is mainly due to the planned use of reserves.
- The unreserved fund balance for the General Fund was \$291,159 and the reserved fund balances of the General Fund total \$557,143 as of June 30, 2006. 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 \$498,914, which was \$120,226 lower than the prior year fund balance of \$619,140. This fund balance is reserved by various sources for Community Development.
- The Capital Projects Fund ended the year with a fund balance of \$253,782, which was \$462,226 lower than the prior year fund balance of \$716,008. The reserved fund balance of \$242,751 is reserved by various sources for Capital Projects.
- Other nonmajor governmental funds ended the year with a fund balance of \$866,441, which was \$12,878 lower than the prior year fund balance of \$879,319. \$815,819 of this fund balance is reserved by various sources for various purposes.
- The Water Fund ended the year with net assets of \$9,368,769, which was \$17,775 lower than the prior year balance of \$9,386,544. Of the total net asset balance, \$9,580,900 is invested in property and equipment. This leaves an unrestricted deficit of \$212,131 to be recovered in future periods.

CITY OF MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

- The Sewer Fund ended the year with net assets of \$10,174,445, which was \$140,507 lower than the prior year balance of \$10,314,952. Of the total net asset balance, \$10,236,112 is invested in property and equipment. This leaves an unrestricted deficit of \$61,667 to be recovered in future periods. A debt payment, due July 1, 2006, was paid in June 2006. If this payment had not been paid early, there would be an unrestricted surplus of \$109,585 for the Sewer Fund.
- The Parking Fund ended the year with net assets of \$224,685, which was \$8,928 lower than the prior year balance of \$233,613. Of the total net asset balance, \$321,946 is invested in property and equipment and \$41,220 is restricted for various projects. This leaves a deficit of \$138,481 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, 2006

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, 2006

*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 \$2,690,065 from a year ago – increasing from \$28,004,182 to \$30,694,247. 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 2006	Business-type Activities 2006	Total Primary Government 2006	Governmental Activities 2005	Business-type Activities 2005	Total Primary Government 2005
Current and other assets	\$ 7,344,616	\$ 1,251,331	\$ 8,595,947	\$ 5,612,702	\$ 2,276,778	\$ 7,889,480
Capital assets	10,854,972	36,162,786	47,017,758	8,462,249	36,446,613	44,908,862
Total assets	<u>18,199,588</u>	<u>37,414,117</u>	<u>55,613,705</u>	<u>14,074,951</u>	<u>38,723,391</u>	<u>52,798,342</u>
Long term liabilities	4,875,590	17,498,251	22,373,841	5,288,088	18,295,024	23,583,112
Other liabilities	2,397,650	147,967	2,545,617	717,790	493,258	1,211,048
Total liabilities	<u>7,273,240</u>	<u>17,646,218</u>	<u>24,919,458</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	6,527,630	20,138,958	26,666,588	3,858,194	19,817,346	23,675,540
Restricted	4,334,545	41,220	4,375,765	3,767,020	41,220	3,808,240
Unrestricted	64,173	(412,279)	(348,106)	443,859	76,543	520,402
Total net assets	<u>\$ 10,926,348</u>	<u>\$ 19,767,899</u>	<u>\$ 30,694,247</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.

Net assets of the City's governmental activities increased by 35.4% (\$8,069,073 compared to \$10,926,348). The increase is mainly due to the increase in capital grants. The net assets of our business-type activities decreased by .8 % (\$19,935,109 compared to \$19,767,899) in fiscal year 2006.

CITY OF MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

Table 2  
Change in Net Assets

	Governmental Activities 2006	Business-type Activities 2006	Total Primary Government 2006	Governmental Activities 2005	Business-type Activities 2005	Total Primary Government 2005
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 691,262	\$ 5,533,373	\$ 6,224,635	\$ 613,615	\$ 4,719,597	\$ 5,333,212
Operating grants	1,275,557	0	1,275,557	675,781	0	675,781
Capital grants	2,602,686	0	2,602,686	279,026	205,862	484,888
General revenues:						
Property taxes	5,968,903	0	5,968,903	5,805,221	0	5,805,221
Investment earnings	67,994	14,795	82,789	85,214	27,594	112,808
Miscellaneous	368,646	0	368,646	180,130	0	180,130
<b>Total revenues</b>	<b>10,975,048</b>	<b>5,548,168</b>	<b>16,523,216</b>	<b>7,638,987</b>	<b>4,953,053</b>	<b>12,592,040</b>
<b>PROGRAM EXPENSES</b>						
General government	1,267,805	0	1,267,805	1,303,749	0	1,303,749
Public safety	3,423,300	0	3,423,300	3,174,183	0	3,174,183
Highway and streets	2,496,434	0	2,496,434	1,622,025	0	1,622,025
Culture and recreation	391,367	0	391,367	408,308	0	408,308
Interest on long-term debt	246,147	0	246,147	262,503	0	262,503
Cemetery	173,315	0	173,315	156,504	0	156,504
Community Development	120,605	0	120,605	81,204	0	81,204
Water	0	2,121,993	2,121,993	0	2,164,047	2,164,047
Sewer	0	3,032,200	3,032,200	0	2,773,879	2,773,879
Parking	0	559,985	559,985	0	591,641	591,641
<b>Total program expenses</b>	<b>8,118,973</b>	<b>5,714,178</b>	<b>13,833,151</b>	<b>7,008,476</b>	<b>5,529,567</b>	<b>12,538,043</b>
Excess before special item and transfers	2,856,075	(166,010)	2,690,065	630,511	(576,514)	53,997
Transfers	1,200	(1,200)	0	8,000	(8,000)	0
<b>Increase in Net Assets</b>	<b>\$ 2,857,275</b>	<b>\$ (167,210)</b>	<b>\$ 2,690,065</b>	<b>\$ 638,511</b>	<b>\$ (584,514)</b>	<b>\$ 53,997</b>

CITY OF MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

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

*Governmental Activities*

The City's tax rate increased to \$1.05 from \$1.03 per \$100 of assessed value from fiscal year 2005 to fiscal year 2006 for the general expenses.

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)
	2006	2006	2006	2006	2005	2005	2005	2005
General government	\$ 1,267,805	\$ (918,007)	\$ 0	\$ 0	\$ 1,303,749	\$ (972,515)	\$ 0	\$ 0
Public safety	3,423,300	(2,634,537)	0	0	3,174,183	(2,586,001)	0	0
Highway and streets	2,496,434	145,667	0	0	1,622,025	(1,120,362)	0	0
Culture and recreation	391,367	(275,283)	0	0	408,308	(384,239)	0	0
Water	0	0	2,121,993	(35,370)	0	0	2,164,047	(461,549)
Sewer	0	0	3,032,200	(146,507)	0	0	2,773,879	(79,662)
Parking	0	0	559,985	1,072	0	0	591,641	(62,897)
All others	540,067	132,692	0	0	500,211	(376,937)	0	0
Totals	<u>\$ 8,118,973</u>	<u>\$ (3,549,468)</u>	<u>\$ 5,714,178</u>	<u>\$ (180,805)</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 \$2,467,439, which is below last year's total of \$3,180,537. Included in this year's total change in fund balance is a decrease of \$117,768 in the City's General Fund; a decrease of \$120,226 in the Community Development Fund; and a decrease of \$462,226 in the Capital Projects Fund.

CITY OF MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

*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 property taxes \$123,216, police grants \$151,459, fire/EMS grants \$75,569 and ambulance services \$52,813. Revenues that were lower than budget are police fines and forfeitures \$20,482, recording fees \$17,426, and fuel sales \$19,626. Most notable expenditures exceeding budget are department of public works \$72,830 for mainly the increase in fuel costs and salt and sand. Also, expenditures that were not in the original budget were appraisal expenditures of \$16,735, which were offset by State Act 60 revenue and the outside agencies expenditures of \$30,000 which were special ballot items for Student Assistance and Community Connections Programs which were paid for with additional property tax revenue. Other expenditures that exceeded the budget are finance department salaries \$31,295, resource officer \$68,108, which is offset by revenue, retirement \$12,080, advertising in the City Manager's Department for Department Head Positions \$8,687 and capital outlay for Department of Public Works Equipment \$47,049 which was partially offset by the sale of equipment. Health insurance premiums were \$36,557 less than budgeted due to lower than anticipated rate increases.

**Capital Asset and Debt Administration**

*Capital Assets*

At June 30, 2006, the City had \$47,017,758 compared to \$44,908,862 at June 30, 2005 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 \$2,108,896, over last year.

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

	Governmental Activities <u>2006</u>	Business-type Activities <u>2006</u>	Totals <u>2006</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	9,845,867	35,795,326	45,641,193	6,730,910	34,944,966	41,675,876
Construction in progress	417,555	116,788	534,343	1,139,789	1,250,975	2,390,764
Totals	<u>\$ 10,854,972</u>	<u>\$ 36,162,786</u>	<u>\$47,017,758</u>	<u>\$ 8,462,249</u>	<u>\$ 36,446,613</u>	<u>\$44,908,862</u>

CITY OF MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

This year's major additions included:

Equipment and vehicles	\$ 656,125
Barre Street project	146,702
Other improvements	244,257
Langdon Street Bridge - contributed	168,224
Infrastructure - rock wall	1,076,684
Infrastructure - roads etc	800,812
Water lines	409,070
Sewer improvements	66,466
Parking Meters	13,195
	\$ 3,581,535

The City's fiscal year 2007 governmental capital budget calls for it to spend \$6,500 less than the prior year's \$950,000 or \$943,500 for general governmental capital projects and debt of which debt service is approximately 65%.

*Long Term - Debt*

At June 30, 2006, the City had \$22,020,176 in bonds and notes outstanding versus \$23,241,126 on June 30, 2005 – a decrease of \$1,220,950 (5.5%) – as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	Balance June 30, 2005	Additions	Payments	Balance June 30, 2006
<b>Notes and bond payable</b>				
Governmental Activities	\$ 5,035,977	\$ 15,639	\$ (434,971)	\$ 4,616,645
Proprietary Funds	18,205,149	95,881	(897,499)	17,403,531
Totals	\$ 23,241,126	\$ 111,520	\$(1,332,470)	\$22,020,176

New debt resulted from a vehicle lease and Wastewater upgrades.

**Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered economic factors and the importance of maintaining the level of City services when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for the business-type activities.

One of the economic factors is the unemployment in the City, which stands at 2.2% (August 2006) compared with 3.0% (August, 2005) a year ago. This compares with the State's unemployment rate in August 2006 of 3.7% and the national rate of 4.7% for the same month (seasonally adjusted). When adopting the budget for fiscal year 2007, the City took into account these indicators as well as increased home values which will result in a city wide reappraisal to be completed in the spring of 2007. There is an increase of 5 cents on the tax rate or \$1.11 per assessed value for fiscal year 2006. Of this 5 cent increase, 4 cents is necessary to fund in the municipal budget. One cent is due to increases in ballot items for outside agencies which were approved by the voters.

CITY OF MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

Also, the Consumer Price Index and percent change over one year of 4.4% for the month of October, 2005 was reviewed during the budget process.

The City's General Fund fund balance is expected to increase in the fiscal year 2007 due to a General Fund repayment of a \$325,000 loan that was borrowed from the Water Fund in 2003.

As for the City's business-type activities, utility rates increased substantially in the fiscal year 2006. It is expected that utility rates will be adjusted annually due to increases in maintenance, chemical, fuel and electricity costs.

Current quarterly water rates are as follows: \$6.61 per 1,000 for the first 50,000 gallons, \$7.02 per 1,000 for the next 200,000 gallons, 11.38 per 1,000 for over \$250,000 gallons and a fixed charge for all accounts for meter reading, billing and other administrative service costs of \$19.50.

Current quarterly sewer rates are as follows: \$7.46 per 1,000 gallons of water used and a fixed charge for all for meter reading, billing and other administrative service costs of \$24.50.

**Contacting the City's Financial Management**

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

CITY OF MONTPELIER, VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,123,386	\$ 50	\$ 1,123,436
Investments	628,589	0	628,589
Accounts receivable:			
Property taxes, net	101,856	0	101,856
Ambulance, net	47,229	0	47,229
Water/sewer and other fees	0	1,082,450	1,082,450
Grants	2,180,777	0	2,180,777
Other	77,288	526,072	603,360
Loans and notes receivable due within one year	95,000	0	95,000
Internal balances	425,843	(425,843)	0
Inventories	66,539	65,419	131,958
Prepaid expenses	0	3,183	3,183
Loans and notes receivable due after one year	2,598,109	0	2,598,109
Capital assets:			
Land and construction in progress	1,009,105	367,460	1,376,565
Other capital assets, net of depreciation	9,845,867	35,795,326	45,641,193
<b>Total assets</b>	<b>18,199,588</b>	<b>37,414,117</b>	<b>55,613,705</b>
<b>LIABILITIES</b>			
Accounts payable	417,148	75,869	493,017
Construction payable	160,697	7,105	167,802
Due to fiduciary funds	88,762	0	88,762
Due to school district	9,583	0	9,583
Deferred revenue	82,021	0	82,021
Accrued interest	21,153	44,827	65,980
Accrued payroll and related expenses	68,286	20,166	88,452
Grant anticipation note	1,550,000	0	1,550,000
Bonds and notes payable due within one year	423,875	934,350	1,358,225
Accrued compensated absences due after one year	258,945	94,720	353,665
Bonds and notes payable due after one year	4,192,770	16,469,181	20,661,951
<b>Total liabilities</b>	<b>7,273,240</b>	<b>17,646,218</b>	<b>24,919,458</b>
<b>NET ASSETS</b>			
Unrestricted	64,173	(412,279)	(348,106)
Restricted for community development	2,784,059	0	2,784,059
Restricted for capital projects	244,064	0	244,064
Restricted for other purposes	618,596	41,220	659,816
Restricted for permanent trust funds			
Nonexpendable	401,493	0	401,493
Expendable	286,333	0	286,333
Invested in capital assets, net of related debt	6,527,630	20,138,958	26,666,588
<b>Total net assets</b>	<b>\$ 10,926,348</b>	<b>\$ 19,767,899</b>	<b>\$ 30,694,247</b>

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

## CITY OF MONTPELIER, VERMONT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

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	\$ 1,267,805	\$ 138,077	\$ 211,721	\$ 0	\$ (918,007)	\$ 0	\$ (918,007)
Public safety	3,423,300	412,720	209,884	166,159	(2,634,537)	0	(2,634,537)
Highway and streets	2,496,434	100,150	213,696	2,328,255	145,667	0	145,667
Cultural and recreational	391,367	3,240	4,572	108,272	(275,283)	0	(275,283)
Cemetery	173,315	37,075	0	0	(136,240)	0	(136,240)
Community development	120,605	0	635,684	0	515,079	0	515,079
Interest on long-term debt	246,147	0	0	0	(246,147)	0	(246,147)
Total governmental activities	<u>8,118,973</u>	<u>691,262</u>	<u>1,275,557</u>	<u>2,602,686</u>	<u>(3,549,468)</u>	<u>0</u>	<u>(3,549,468)</u>
Business-type activities							
Water	2,121,993	2,086,623	0	0	0	(35,370)	(35,370)
Sewer	3,032,200	2,885,693	0	0	0	(146,507)	(146,507)
Parking	559,985	561,057	0	0	0	1,072	1,072
Total business-type activities	<u>5,714,178</u>	<u>5,533,373</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(180,805)</u>	<u>(180,805)</u>
Total government	<u>\$ 13,833,151</u>	<u>\$ 6,224,635</u>	<u>\$ 1,275,557</u>	<u>\$ 2,602,686</u>	<u>(3,549,468)</u>	<u>(180,805)</u>	<u>(3,730,273)</u>
General Revenues:							
Property taxes					5,968,903	0	5,968,903
Earnings on investments					67,994	14,795	82,789
Miscellaneous					368,646	0	368,646
Transfers					1,200	(1,200)	0
Total general revenues and transfers					<u>6,406,743</u>	<u>13,595</u>	<u>6,420,338</u>
Change in net assets					<u>2,857,275</u>	<u>(167,210)</u>	<u>2,690,065</u>
Net assets - July 1, 2005					<u>8,069,073</u>	<u>19,935,109</u>	<u>28,004,182</u>
Net assets - June 30, 2006					<u>\$ 10,926,348</u>	<u>\$ 19,767,899</u>	<u>\$ 30,694,247</u>

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



CITY OF MONTPELIER, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Major funds			Nonmajor	Total Governmental Funds
	General	Community Development	Capital Projects Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 463,716	\$ 476,785	\$ 0	\$ 182,885	\$ 1,123,386
Investments	0	0	0	628,589	628,589
Receivables					
Property taxes, net	101,856	0	0	0	101,856
Ambulance receivables, net	47,229	0	0	0	47,229
Federal grants	36,862	6,479	2,122,125	0	2,165,466
State grants and loans	0	3,500	11,811	0	15,311
Other	35,443	0	231	17,117	52,791
Employee loans	24,497	0	0	0	24,497
Due from other funds	625,512	450	281,570	446,056	1,353,588
Community development loans, net	0	2,375,285	0	0	2,375,285
Note receivable	317,824	0	0	0	317,824
Inventories	66,539	0	0	0	66,539
Total assets	<u>\$ 1,719,478</u>	<u>\$ 2,862,499</u>	<u>\$ 2,415,737</u>	<u>\$ 1,274,647</u>	<u>\$ 8,272,361</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 326,168	\$ 0	\$ 0	\$ 18,540	\$ 344,708
Construction payable	0	0	160,697	0	160,697
Due to other funds	413,763	0	295,625	307,119	1,016,507
Accrued payroll and related expenses	61,560	0	0	6,726	68,286
Due to school district	9,583	0	0	0	9,583
Grant anticipation note	0	0	1,550,000	0	1,550,000
Deferred revenue					
Taxes	59,902	0	0	0	59,902
Federal grants	0	6,000	155,633	39,479	201,112
Other	200	0	0	36,342	36,542
Community development	0	2,357,585	0	0	2,357,585
Total liabilities	<u>871,176</u>	<u>2,363,585</u>	<u>2,161,955</u>	<u>408,206</u>	<u>5,804,922</u>
<b>FUND BALANCES</b>					
Reserved for General Fund	557,143	0	0	0	557,143
Reserved for Special Revenue Funds	0	498,914	0	127,993	626,907
Reserved for Capital Projects Fund	0	0	242,751	0	242,751
Reserved for Permanent Funds	0	0	0	687,826	687,826
Unreserved	291,159	0	11,031	50,622	352,812
Total fund balances	<u>848,302</u>	<u>498,914</u>	<u>253,782</u>	<u>866,441</u>	<u>2,467,439</u>
Total liabilities and fund balances	<u>\$ 1,719,478</u>	<u>\$ 2,862,499</u>	<u>\$ 2,415,737</u>	<u>\$ 1,274,647</u>	<u>\$ 8,272,361</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, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,467,439
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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 \$14,562,007 and the accumulated depreciation is \$3,707,035.	10,854,972
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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 less related payable	2,285,145	
Deferred grant revenue	155,633	
Deferred tax revenue	59,902	
	2,500,680	2,500,680

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	4,616,645	
Accrued interest on bonds and notes payable	21,153	
Accrued compensated absences	258,945	(4,896,743)
	4,896,743	(4,896,743)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ 10,926,348
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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, 2006

	Major funds			Nonmajor	Total Governmental Funds
	General	Community Development	Capital Projects Fund	Other Governmental Funds	
<b>REVENUES</b>					
Property taxes, penalties and interest	\$ 5,977,898	\$ 0	\$ 0	\$ 0	\$ 5,977,898
Permits and licenses	44,116	0	0	0	44,116
Intergovernmental	654,445	635,684	2,280,894	151,587	3,722,610
Fees and charges for services	1,327,077	0	0	37,075	1,364,152
Fines and forfeitures	14,518	0	0	0	14,518
Investment income	31,954	10,104	0	25,936	67,994
Rents and commissions	500	0	0	3,240	3,740
Equipment revenues	76,040	0	0	0	76,040
Principal repayments	0	70,187	0	0	70,187
Miscellaneous and other	121,570	0	45,591	44,121	211,282
Total revenues	<u>8,248,118</u>	<u>715,975</u>	<u>2,326,485</u>	<u>261,959</u>	<u>11,552,537</u>
<b>EXPENDITURES</b>					
General government	1,648,428	0	34,286	0	1,682,714
Public safety	3,067,134	0	0	184,701	3,251,835
Highway and streets	1,711,704	0	846,525	0	2,558,229
Culture and recreation	262,912	806,201	5,343	120,494	1,194,950
Cemetery	0	0	0	165,973	165,973
Capital outlays	473,330	0	2,259,257	11,963	2,744,550
Debt service - interest	248,536	0	0	716	249,252
Debt service - principal	428,191	0	0	6,780	434,971
Total expenditures	<u>7,840,235</u>	<u>806,201</u>	<u>3,145,411</u>	<u>490,627</u>	<u>12,282,474</u>
EXCESS REVENUES (EXPENDITURES)	<u>407,883</u>	<u>(90,226)</u>	<u>(818,926)</u>	<u>(228,668)</u>	<u>(729,937)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	15,639	0	0	0	15,639
Transfers in	30,000	0	356,700	276,119	662,819
Transfers out	(571,290)	(30,000)	0	(60,329)	(661,619)
Total other financing sources (uses)	<u>(525,651)</u>	<u>(30,000)</u>	<u>356,700</u>	<u>215,790</u>	<u>16,839</u>
NET CHANGE IN FUND BALANCES	(117,768)	(120,226)	(462,226)	(12,878)	(713,098)
FUND BALANCES - JULY 1, 2005	<u>966,070</u>	<u>619,140</u>	<u>716,008</u>	<u>879,319</u>	<u>3,180,537</u>
FUND BALANCES - JUNE 30, 2006	<u>\$ 848,302</u>	<u>\$ 498,914</u>	<u>\$ 253,782</u>	<u>\$ 866,441</u>	<u>\$ 2,467,439</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, 2006

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(713,098)
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 \$2,744,550 plus donated equipment and infrastructure of \$172,724 net of disposals of \$15,360 exceeds depreciation expense \$509,191 in the period.		
		2,392,723
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 increased \$687,849 and the related payable increased \$72,440.		
		615,409
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes decreased \$8,995.		
		(8,995)
Grant revenues are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred grant income increased \$155,633.		
		155,633
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.		
		419,332
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 \$6,834.		
		(6,834)
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 decreased by \$3,105.		
		3,105
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>2,857,275</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 \$811,304, the general government expenses was decreased by \$526,858 and the highway and streets was decreased by \$284,446.

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

## EXHIBIT G

CITY OF MONTPELIER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2006

	Original and final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes, penalties and interest	\$ 5,813,296	\$ 5,977,898	\$ 164,602
Permits and licenses	37,600	44,116	6,516
Intergovernmental	408,738	654,445	245,707
Fees and charges for services	1,262,837	1,327,077	64,240
Fines and forfeitures	35,000	14,518	(20,482)
Investment income	30,000	31,954	1,954
Rents and commissions	500	500	0
Equipment revenue	92,521	76,040	(16,481)
Miscellaneous and other	70,980	121,570	50,590
<b>Total revenues</b>	<b>7,751,472</b>	<b>8,248,118</b>	<b>496,646</b>
<b>EXPENDITURES</b>			
General government	1,551,908	1,648,428	(96,520)
Public safety	3,000,086	3,067,134	(67,048)
Highway and streets	1,638,874	1,711,704	(72,830)
Culture and recreation	227,409	262,912	(35,503)
Capital outlay	229,151	473,330	(244,179)
Debt service - principal	450,999	428,191	22,808
Debt service - interest	250,044	248,536	1,508
<b>Total expenditures</b>	<b>7,348,471</b>	<b>7,840,235</b>	<b>(491,764)</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>403,001</b>	<b>407,883</b>	<b>4,882</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	0	15,639	15,639
Transfers in	30,000	30,000	0
Transfers out	(562,790)	(571,290)	(8,500)
<b>Total other financing sources (uses)</b>	<b>(532,790)</b>	<b>(525,651)</b>	<b>7,139</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (129,789)</b>	<b>(117,768)</b>	<b>\$ 12,021</b>
<b>FUND BALANCES - JULY 1, 2005</b>		<b>966,070</b>	
<b>FUND BALANCES - JUNE 30, 2006</b>		<b>\$ 848,302</b>	

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

CITY OF MONTPELIER, VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Enterprise Funds			
	Water Fund	Sewer Fund	Parking Fund	Totals
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 0	\$ 0	\$ 50	\$ 50
Receivables				
Water/sewer and other fees	593,977	488,473	0	1,082,450
Other	481,213	42,909	1,950	526,072
Due from other funds	325,000	906,735	0	1,231,735
Prepaid expenses	0	0	3,183	3,183
Inventory	60,808	4,611	0	65,419
Total current assets	<u>1,460,998</u>	<u>1,442,728</u>	<u>5,183</u>	<u>2,908,909</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Construction in progress	23,596	93,192	0	116,788
Land	32,000	0	218,672	250,672
Buildings	11,557,678	9,709,565	0	21,267,243
Improvements other than buildings	8,415,903	18,288,436	202,470	26,906,809
Machinery, equipment and computers	577,780	582,154	88,567	1,248,501
Accumulated depreciation	<u>(3,433,952)</u>	<u>(10,005,512)</u>	<u>(187,763)</u>	<u>(13,627,227)</u>
Total noncurrent assets	<u>17,173,005</u>	<u>18,667,835</u>	<u>321,946</u>	<u>36,162,786</u>
Total assets	<u>18,634,003</u>	<u>20,110,563</u>	<u>327,129</u>	<u>39,071,695</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	16,601	57,102	2,166	75,869
Construction payable	7,105	0	0	7,105
Due to other funds	1,577,697	0	79,881	1,657,578
Accrued payroll and related expenses	6,662	9,702	3,802	20,166
Accrued interest payable	33,724	11,103	0	44,827
Bonds payable - current portion	380,000	554,350	0	934,350
Total current liabilities	<u>2,021,789</u>	<u>632,257</u>	<u>85,849</u>	<u>2,739,895</u>
<b>Noncurrent Liabilities</b>				
Bonds payable	7,205,000	9,264,181	0	16,469,181
Accrued compensated absences	38,445	39,680	16,595	94,720
Total noncurrent liabilities	<u>7,243,445</u>	<u>9,303,861</u>	<u>16,595</u>	<u>16,563,901</u>
Total liabilities	<u>9,265,234</u>	<u>9,936,118</u>	<u>102,444</u>	<u>19,303,796</u>
<b>NET ASSETS</b>				
Invested in property & equipment	9,580,900	10,236,112	321,946	20,138,958
Restricted	0	0	41,220	41,220
Unrestricted	<u>(212,131)</u>	<u>(61,667)</u>	<u>(138,481)</u>	<u>(412,279)</u>
Total net assets	<u>\$ 9,368,769</u>	<u>\$ 10,174,445</u>	<u>\$ 224,685</u>	<u>\$ 19,767,899</u>

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, 2006

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Parking Fund	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,024,938	\$ 2,861,829	\$ 557,305	\$ 5,444,072
Interest and penalties - customers	16,023	15,441	0	31,464
Miscellaneous	45,662	8,423	3,752	57,837
Total operating revenues	<u>2,086,623</u>	<u>2,885,693</u>	<u>561,057</u>	<u>5,533,373</u>
<b>OPERATING EXPENSES</b>				
Administration	389,339	282,650	34,145	706,134
Supplies and treatment	445,524	1,535,692	0	1,981,216
Distribution system	311,505	0	0	311,505
Collection system	0	362,902	0	362,902
Equipment charge	87,963	183,880	12,604	284,447
Delinquent collection	16,255	16,238	0	32,493
Meter operations	51,023	0	0	51,023
Private sewer system maintenance	0	5,769	0	5,769
Parking enforcement	0	0	306,618	306,618
Parking lot leases	0	0	106,937	106,937
Parking lot maintenance	0	0	83,806	83,806
Depreciation expense	423,888	508,325	15,875	948,088
Total operating expenses	<u>1,725,497</u>	<u>2,895,456</u>	<u>559,985</u>	<u>5,180,938</u>
OPERATING INCOME/(LOSS)	<u>361,126</u>	<u>(9,763)</u>	<u>1,072</u>	<u>352,435</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	14,795	0	0	14,795
Interest expense	(396,496)	(136,744)	0	(533,240)
Total non-operating revenue (expenses)	<u>(381,701)</u>	<u>(136,744)</u>	<u>0</u>	<u>(518,445)</u>
<b>INCOME (LOSS) BEFORE</b>				
CONTRIBUTIONS AND TRANSFERS	(20,575)	(146,507)	1,072	(166,010)
TRANSFERS IN	2,800	6,000	0	8,800
TRANSFERS OUT	0	0	(10,000)	(10,000)
CHANGE IN NET ASSETS	(17,775)	(140,507)	(8,928)	(167,210)
TOTAL NET ASSETS - JULY 1, 2005	<u>9,386,544</u>	<u>10,314,952</u>	<u>233,613</u>	<u>19,935,109</u>
TOTAL NET ASSETS - JUNE 30, 2006	<u>\$ 9,368,769</u>	<u>\$ 10,174,445</u>	<u>\$ 224,685</u>	<u>\$ 19,767,899</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, 2006

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Parking Fund	
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 1,969,332	\$ 2,815,118	\$ 564,784	\$ 5,349,234
Cash payments to suppliers for goods and services	(400,178)	(1,215,353)	(174,299)	(1,789,830)
Cash payments to employees	(588,109)	(790,647)	(323,618)	(1,702,374)
Cash payments for interfund services	(315,680)	(388,374)	(46,749)	(750,803)
Net cash from (to) operating activities	<u>665,365</u>	<u>420,744</u>	<u>20,118</u>	<u>1,106,227</u>
<b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers to other funds	0	0	(10,000)	(10,000)
Transfers from other funds	2,800	6,000	0	8,800
Interfund loans	81,933	(711,036)	3,077	(626,026)
Net cash from/(to) non-capital financing activities	<u>84,733</u>	<u>(705,036)</u>	<u>(6,923)</u>	<u>(627,226)</u>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on capital debt	(375,000)	(522,499)	0	(897,499)
Proceeds from capital debt	0	95,881	0	95,881
Purchases of capital assets	(485,771)	(165,295)	(13,195)	(664,261)
Decrease (increase) in grant receivables	0	88,303	0	88,303
Increase (decrease) in construction payable	(219,941)	(111,900)	0	(331,841)
Interest paid on capital debt	(396,496)	(136,744)	0	(533,240)
Net cash from (to) financing activities	<u>(1,477,208)</u>	<u>(752,254)</u>	<u>(13,195)</u>	<u>(2,242,657)</u>
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES:</b>				
Investment income	14,795	0	0	14,795
Payments received on notes	0	21,299	0	21,299
Net cash from (to) investing activities	<u>14,795</u>	<u>21,299</u>	<u>0</u>	<u>36,094</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(712,315)</b>	<b>(1,015,247)</b>	<b>0</b>	<b>(1,727,562)</b>
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2005</b>	<b>712,315</b>	<b>1,015,247</b>	<b>50</b>	<b>1,727,612</b>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2006</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 50</u></b>	<b><u>\$ 50</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income/(loss)	\$ 361,126	\$ (9,763)	\$ 1,072	\$ 352,435
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	423,888	508,325	15,875	948,088
(Increase) decrease in:				
Accounts receivable	(99,319)	(110,560)	0	(209,879)
Other receivable	(17,972)	39,985	3,727	25,740
Inventory	(1,554)	89	0	(1,465)
Prepaid expense	0	0	(87)	(87)
Increase (decrease) in:				
Accounts payable	(6,148)	(9,038)	(3,181)	(18,367)
Accrued payroll, vacations and related accounts	5,344	1,706	2,712	9,762
Total adjustments	<u>304,239</u>	<u>430,507</u>	<u>19,046</u>	<u>753,792</u>
Net cash from (to) operating activities	<u>\$ 665,365</u>	<u>\$ 420,744</u>	<u>\$ 20,118</u>	<u>\$ 1,106,227</u>

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



CITY OF MONTPELIER, VERMONT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2006

	<u>Agency Funds</u>
<b>ASSETS</b>	
Other receivable	\$ 311
Due from other funds	88,762
Prepaid expenses	<u>19,589</u>
Total assets	<u><u>\$ 108,662</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Due to Fire District	\$ 4,807
Due to the Downtown Program	<u>103,855</u>
Total liabilities	<u><u>\$ 108,662</u></u>

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

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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 primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). Governments are also required to follow the Statements and Interpretations 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, 2006

**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 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.

The government-wide Statement of Net Assets, presents the City's activities 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, consisting of operating grants, capital grants and contributions. 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.

*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.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

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.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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. 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.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, or 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.

*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
Improvements	15-75 years
Equipment and vehicles	5-20 years
Infrastructure	10-25 years

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City elected 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 2005-2006 fiscal year.
- Community Development Fund – Long-term receivables.
- Other Governmental Funds – Grant revenue not spent in the 2005-2006 fiscal year.

*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.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Interfund Activities*

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as due to and due from 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, 2006, \$392,031 of the government's bank balance of \$1,185,546 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 392,031</u>
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CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Investments*

Investments at June 30, 2006 are as follows:

Investment Type:	
Mutual Funds	\$ 627,411
Common Stock	1,178
	<u>\$ 628,589</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, 2006:

	Interest & Dividends	Realized and Unrealized Gains	Total
General Fund	\$ 31,954	\$ 0	\$ 31,954
Community Development	10,104	0	10,104
Other governmental	33,670	(7,734)	25,936
Enterprise Funds	14,795	0	14,795
Total	<u>\$ 90,523</u>	<u>\$ (7,734)</u>	<u>\$ 82,789</u>

**NOTE 3 - RECEIVABLES AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS**

Receivables are shown net of any allowance for uncollectible accounts. The balances for June 30, 2006, are as follows:

	Total Receivables	Uncollectible Allowance	Net Receivables
General Fund:			
Taxes receivable	\$ 109,256	\$ 7,400	\$ 101,856
Ambulance receivables	181,229	134,000	47,229
Total General Fund	<u>290,485</u>	<u>141,400</u>	<u>149,085</u>
Enterprise Funds:			
Water Fund (Billed and unbilled)	597,177	3,200	593,977
Water Fund - other receivable	481,213	0	481,213
Sewer Fund (Billed and unbilled)	492,273	3,800	488,473
Sewer Fund - other receivable	42,909	0	42,909
Parking Fund - other receivable	1,950	0	1,950
Total Enterprise Funds	<u>1,615,522</u>	<u>7,000</u>	<u>1,608,522</u>
Total	<u>\$ 1,906,007</u>	<u>\$ 148,400</u>	<u>\$ 1,757,607</u>

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**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, 2006 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds		
General Fund	\$ 625,512	\$ 413,763
Community Development Fund	450	0
Capital Projects Fund	281,570	295,625
Other governmental funds		
Justice Fund	59,733	0
Green Mount Cemetery	0	11,490
Conservation fund	922	0
Montpelier Park Commission	40,998	0
Police grants	30,107	0
Montpelier Events Fund	17,248	0
Cemetery Trust - Expendable	290,626	4,293
Cemetery Trust - Non expendable	6,422	290,626
Montpelier Foundation	0	710
Total other governmental funds	<u>446,056</u>	<u>307,119</u>
Total governmental funds	<u>1,353,588</u>	<u>1,016,507</u>
Enterprise Funds		
Water	325,000	1,577,697
Sewer	906,735	0
Parking	0	79,881
Total Enterprise Funds	<u>1,231,735</u>	<u>1,657,578</u>
Agency Funds	88,762	0
Total	<u>\$ 2,674,085</u>	<u>\$ 2,674,085</u>

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, 2006 was \$325,000 which was paid off in August of 2006.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2006 are as follows:

		<b>Transfer from</b>				
		General Fund	Community Development Fund	Other Governmental Funds	Parking Fund	Totals
<b>Transfer to</b>	General Fund	\$ 0	\$ 30,000	\$ 0	\$ 0	\$ 30,000
	Capital Projects Fund	346,700	0	10,000	0	356,700
	Other Governmental Funds	216,090	0	50,029	10,000	276,119
	Water Fund	2,500	0	300	0	2,800
	Sewer Fund	6,000	0	0	0	6,000
	Totals	<u>\$ 571,290</u>	<u>\$ 30,000</u>	<u>\$ 60,329</u>	<u>\$ 10,000</u>	<u>\$ 671,619</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 \$346,700 to fund certain projects occurring during fiscal year 2006 according to budgetary authorizations. The General Fund made transfers of \$216,090 to Other Governmental Funds according to budgetary authorizations. The transfers to the Water and Sewer Fund of \$8,500 were made due to a purchase of new equipment and a trade in of a capital asset.

The Community Development Fund transfer of \$30,000 to the General Fund, the other Governmental transfer of \$10,000 to the Capital Projects and the parking fund transfer of \$10,000 to the Cemetery Fund were all 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 \$2,404,025 with an allowance for uncollectible loans of \$28,740 leaving a net balance of \$2,375,285.

**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, 2006 was \$317,824. This loan is secured by the building.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006, was as follows:

	June 30, 2005	Additions net of transfers	Disposals	Depreciation	June 30, 2006
<b>Governmental Activities</b>					
Capital assets not depreciated:					
Construction in progress	\$ 1,139,789	\$ (722,234)	\$ 0	\$ 0	\$ 417,555
Land	591,550	0	0	0	591,550
Total capital assets not depreciated	<u>1,731,339</u>	<u>(722,234)</u>	<u>0</u>	<u>0</u>	<u>1,009,105</u>
Depreciable capital assets:					
Buildings and improvements	5,167,409	1,113,193	0	0	6,280,602
Equipment and vehicles	4,243,071	480,595	(102,397)	0	4,621,269
Infrastructure	605,311	2,045,720	0	0	2,651,031
Total depreciable capital assets	<u>10,015,791</u>	<u>3,639,508</u>	<u>(102,397)</u>	<u>0</u>	<u>13,552,902</u>
Accumulated depreciation:					
Buildings and improvements	1,278,620	0	0	120,721	1,399,341
Equipment and vehicles	1,971,026	0	(87,037)	352,197	2,236,186
Infrastructure	35,235	0	0	36,273	71,508
Total accumulated depreciation	<u>3,284,881</u>	<u>0</u>	<u>(87,037)</u>	<u>509,191</u>	<u>3,707,035</u>
Depreciable capital assets, net	<u>6,730,910</u>	<u>3,639,508</u>	<u>(15,360)</u>	<u>(509,191)</u>	<u>9,845,867</u>
Capital assets, net	<u>\$ 8,462,249</u>	<u>\$ 2,917,274</u>	<u>\$ (15,360)</u>	<u>\$ (509,191)</u>	<u>\$ 10,854,972</u>
	(Restated) June 30, 2005	Additions net of transfers	Disposals	Depreciation	June 30, 2006
<b>Business-type Activities</b>					
Capital assets not depreciated:					
Construction in progress	\$ 1,250,975	\$ (1,134,187)	\$ 0	\$ 0	\$ 116,788
Land	250,672	0	0	0	250,672
Total capital assets not depreciated	<u>1,501,647</u>	<u>(1,134,187)</u>	<u>0</u>	<u>0</u>	<u>367,460</u>
Depreciable capital assets:					
Buildings	21,267,243	0	0	0	21,267,243
Improvements	25,283,891	1,622,918	0	0	26,906,809
Equipment and vehicles	1,072,971	175,530	0	0	1,248,501
Total depreciable capital assets	<u>47,624,105</u>	<u>1,798,448</u>	<u>0</u>	<u>0</u>	<u>49,422,553</u>
Accumulated depreciation:					
Buildings	2,276,174	0	0	411,328	2,687,502
Improvements	9,882,355	0	0	465,475	10,347,830
Equipment and vehicles	520,610	0	0	71,285	591,895
Total accumulated depreciation	<u>12,679,139</u>	<u>0</u>	<u>0</u>	<u>948,088</u>	<u>13,627,227</u>
Depreciable capital assets, net	<u>34,944,966</u>	<u>1,798,448</u>	<u>0</u>	<u>(948,088)</u>	<u>35,795,326</u>
Capital assets, net	<u>\$ 36,446,613</u>	<u>\$ 664,261</u>	<u>\$ 0</u>	<u>\$ (948,088)</u>	<u>\$ 36,162,786</u>

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	105,115
Public safety		171,465
Highway and streets		222,651
Cultural and recreational		2,618
Cemetery		7,342
Total governmental activities depreciation expense	<u>\$</u>	<u>509,191</u>
Business-type activities:		
Water	\$	423,888
Sewer		508,325
Parking		15,875
Total business-type activities depreciation expense	<u>\$</u>	<u>948,088</u>

**NOTE 9 - LONG TERM LIABILITIES**

The following is a summary of changes of long-term liabilities for the year ended June 30, 2006:

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Long-term liabilities at July 1, 2005	\$ 23,583,112	\$ 5,288,088	\$ 18,295,024
New bonds and notes issued	111,520	15,639	95,881
Increase/Decrease in accrued vacation payable	11,679	6,834	4,845
Bonds and notes retired and capital lease payments	<u>(1,332,470)</u>	<u>(434,971)</u>	<u>(897,499)</u>
Long-term liabilities payable at June 30, 2006	22,373,841	4,875,590	17,498,251
Due within one year	1,358,225	423,875	934,350
Due after one year	<u>\$ 21,015,616</u>	<u>\$ 4,451,715</u>	<u>\$ 16,563,901</u>

The City has authorized, but unissued long-term debt at June 30, 2006 as follows:

<u>Purpose</u>	<u>Authorized</u>	<u>Amount</u>
CSO Separation	March 1999	\$ 163,992
WWTP Improvement Plant	March 1995	62,275
Transportation Center	March 2002	800,000
District Heating	March 2003	250,000
Total		<u>\$ 1,276,267</u>

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**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.	\$ 30,000
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.	149,600
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.	10,400
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.	55,000
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.	430,000
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.	400,000
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.	200,000
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.	585,000
Library bond, various interest rates (4.344 - 5.644%), to Vermont Municipal Bond Bank, \$30,000 principal due annually from December 1, 2001 to December 1, 2020.	450,000
Bike path, Lighting project bond, interest at 4.67%, to Vermont Municipal Bond Bank, \$25,000 principal due annually, due in December 2021.	320,000

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 9 - LONG TERM LIABILITIES (Continued)**

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.	1,095,000
Public Works Facilities improvement bond 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.	25,000
Northfield Savings Bank, interest at 3.5%, \$622 payable monthly, due August 2007. Secured by vehicle.	9,218
Popular Leasing USA, Inc, interest at 5.05%, annual payments of \$25,000 due from July 2001 through July 2007. Secured by ambulance.	43,631
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.	805,000
General Motors Acceptance Corporation, interest at 6.05%, two annual payments of \$9,324, due July 2006. Secured by vehicle.	8,796
Total governmental activities bonds and notes payable	<u>4,616,645</u>
Accrued vacation payable	<u>258,945</u>
Total governmental activities long-term liabilities	<u><u>\$ 4,875,590</u></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.	\$ 235,000
Water filtration system bond issued July 10, 1991 to Vermont Municipal Bond Bank, refunded by the Vermont Municipal Bond Bank August 2, 1995, from 1991 Series 1 to 1995 Series 1 and 2, net interest rate of 7.14%, interest payable June 1 and December 1, and principal payable in various annual installments increasing from \$25,000 to \$195,000 until December 1, 2021.	1,995,000

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**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.	4,005,000
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.	1,350,000
Total Water Fund bonds payable	<hr style="border: 0.5px solid black;"/> 7,585,000 <hr style="border: 0.5px solid black;"/>
 <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.	37,047
Sewer system improvement bond, zero interest rate, average annual principal of \$21,500 until December 1, 2016 to Vermont/EPA Pollution Control.	242,540
Sewer system improvement bond, zero interest rate, average annual principal of \$38,856 until December 1, 2017 to Vermont/EPA Pollution Control.	466,266
Sewer system improvement bond, net interest rate 5.676%, annual principal of \$30,000 until December 1, 2016 to Vermont Municipal Bond Bank.	330,000
Sewer system improvement bond, zero interest rate, annual principal of \$14,156 until December 2018 to Vermont/EPA Pollution Control.	184,030
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.	1,425,000
Sewer system improvement bond, zero interest rate, annual principal of \$35,497 until June 2019 to Vermont/EPA Pollution Control.	496,958
Water treatment improvement bond, zero interest rate, annual principal of \$174,171 from October 2005 until January 2024 to Vermont/EPA Pollution Control.	3,309,247



CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**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/EPA Pollution Control.	220,913
Sewer system improvement bond, zero interest rate, annual principal of \$26,294 from January 2003 to January 2022 to Vermont/EPA Pollution Control.	423,293
Water treatment improvement bond, zero interest rate, annual principal of \$34,400 starting in fiscal year 2004 for 20 years to Vermont/EPA Pollution Control.	585,342
Water treatment improvement bond, zero interest rate, annual principal of \$26,064 starting in fiscal year 2004 for 20 years to Vermont/EPA Pollution Control.	469,157
Water treatment improvement bond, zero interest rate, annual principal of \$25,785 starting in fiscal year 2006 for 20 years to Vermont/EPA Pollution Control.	648,738
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>980,000</u>
Total Sewer Fund bonds payable	<u>9,818,531</u>
Total Proprietary Funds bonds payable	<u><u>\$ 17,403,531</u></u>

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 9 - LONG TERM LIABILITIES (Continued)**

Maturities for long-term debt is as follows:

Year End June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 423,875	\$ 220,099	\$ 643,974	\$ 934,350	\$ 507,862	\$ 1,442,212
2008	402,770	200,417	603,187	954,524	483,021	1,437,545
2009	365,000	181,781	546,781	844,711	460,725	1,305,436
2010	345,000	164,942	509,942	847,179	441,961	1,289,140
2011	320,000	149,048	469,048	862,179	422,283	1,284,462
2012-2016	1,510,000	513,438	2,023,438	4,590,894	1,764,225	6,355,119
2017-2021	1,070,000	169,084	1,239,084	4,802,322	996,081	5,798,403
2022-2026	180,000	16,608	196,608	3,357,372	348,737	3,706,109
2027-2031	0	0	0	175,000	32,461	207,461
2032-2036	0	0	0	35,000	928	35,928
Total	<u>\$ 4,616,645</u>	<u>\$ 1,615,417</u>	<u>\$ 6,232,062</u>	<u>\$ 17,403,531</u>	<u>\$ 5,458,284</u>	<u>\$ 22,861,815</u>

Debt is backed by the full faith and credit of the taxing authority of the City of Montpelier, Vermont.

**NOTE 10 – SHORT-TERM DEBT**

Changes in the short-term debt for the governmental activities were as follows:

Balance - June 30, 2005	\$ 0
Addition - tax anticipation	2,900,000
Addition - grant anticipation	1,550,000
Payments	<u>(2,900,000)</u>
Balance - June 30, 2006	<u>\$ 1,550,000</u>

The tax anticipation note had an interest rate of 3.68% and was due on June 28, 2006. The grant anticipation note has an interest rate of 2.5% and is due the earlier of the receipt of funds from Vermont Department of Transportation or June 30, 2009.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 11 - FUND BALANCE RESERVES**

The changes in reserved fund balances are as follows:

	<u>Balance July 1, 2005</u>	<u>Increase (Decrease)</u>	<u>Balance June 30, 2006</u>
Reserved:			
Major Funds			
General Fund			
Inventories	\$ 83,523	\$ (16,984)	\$ 66,539
Prepaid expenses	11,276	(11,276)	0
Fiscal year 2006 expenditures	103,594	(103,594)	0
Act 60 reappraisal	34,458	10,986	45,444
Records restoration	31,455	8,038	39,493
Armory note receivable	341,528	(23,704)	317,824
Park impact fees	22,824	6,750	29,574
Parks wetland	140	0	140
Ambulance	24,364	(24,364)	0
City Hall Plaza	1,944	0	1,944
Drug seizure	100	0	100
Civil air patrol	6,905	(3,132)	3,773
Montpelier House Trust	0	52,312	52,312
Total general fund reserved	<u>\$ 662,111</u>	<u>\$ (104,968)</u>	<u>\$ 557,143</u>
Community Development Fund			
Community Development	\$ 601,439	\$ (120,226)	\$ 481,213
Comm. Dev. - program expenditures	17,701	0	17,701
Total community development	<u>\$ 619,140</u>	<u>\$ (120,226)</u>	<u>\$ 498,914</u>
Capital Projects Fund			
Traffic Impact	18,793	(16,681)	2,112
Capital Grants	350,526	(109,887)	240,639
Total capital projects fund	<u>\$ 369,319</u>	<u>\$ (126,568)</u>	<u>\$ 242,751</u>
Parking Fund			
Impact Fees	<u>41,220</u>	<u>0</u>	<u>41,220</u>
Nonmajor Funds			
Arts and Events	4,880	0	4,880
Conservaton Fund	42,038	3,161	45,199
Montpelier Foundation	85,385	(7,471)	77,914
George Blanchard Trust	63,198	855	64,053
Cemetery Trust - Non expendable	317,120	5,700	322,820
Hubbard Park Trust	14,620	0	14,620
Cemetery Trust - Expendable	294,213	(7,880)	286,333
Total Nonmajor Funds	<u>\$ 821,454</u>	<u>\$ (5,635)</u>	<u>\$ 815,819</u>
Total Reserved Funds	<u>\$ 2,513,244</u>	<u>\$ (357,397)</u>	<u>\$ 2,155,847</u>

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 12 - FUND BALANCE DESIGNATIONS**

The changes in designated fund balances are as follows:

	<u>Balance July 1, 2005</u>	<u>Increase (Decrease)</u>	<u>Balance June 30, 2006</u>
Designated:			
Major Funds			
General Fund			
Conservation commission	\$ 4,064	\$ (855)	\$ 3,209
Fire revenue	19,490	(15,113)	4,377
Computer equipment	7,258	0	7,258
Tree Board	14,850	(2,398)	12,452
Equipment reserve	16,291	(16,291)	0
Parking Fund	132,233	6,248	138,481
Total General Fund	<u>\$ 194,186</u>	<u>\$ (28,409)</u>	<u>\$ 165,777</u>
Water Fund			
Designated for future improvements	\$ 132	\$ (132)	\$ 0
Total Designated Water Fund	<u>\$ 132</u>	<u>\$ (132)</u>	<u>\$ 0</u>
Sewer Fund			
Designated for future improvements	\$ 119,144	\$ (119,144)	\$ 0
Designated for vactor replacement	89,500	(89,500)	0
Total Designated Sewer Fund	<u>\$ 208,644</u>	<u>\$ (208,644)</u>	<u>\$ 0</u>
Capital Project Funds			
Designated for future projects	\$ 346,689	(335,658)	11,031
Total designated capital projects	<u>\$ 346,689</u>	<u>(335,658)</u>	<u>11,031</u>
Total Major Funds	<u>\$ 749,651</u>	<u>\$ (572,843)</u>	<u>\$ 176,808</u>
Nonmajor Funds:			
Special Revenue Funds			
Cemetery	\$ 11,794	\$ (8,148)	\$ 3,646
Park Commission	25,599	9,009	34,608
Arts and Events funds	20,472	(8,104)	12,368
Total designated special revenue funds	<u>57,865</u>	<u>(7,243)</u>	<u>50,622</u>
Total Designated Funds	<u>\$ 807,516</u>	<u>\$ (580,086)</u>	<u>\$ 227,430</u>

CITY OF MONTPELIER, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2006

**NOTE 13 - 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, 2006, 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.

**NOTE 14 - 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 education for the State. City property tax revenues are recognized when levied to the extent they result in current receivables. The tax rate for fiscal year 2005-2006 was as follows:

	Residential	Non residential
City, cemetery & outside agencies	\$ 1.0500	\$ 1.0500
State Education Tax	1.5534	1.6244
Water / Sewer benefit charge	0.1100	0.1100
Senior citizens/recreation	0.1100	0.1100
Total	\$ 2.8234	\$ 2.8944

**NOTE 15 - 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:

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.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 15 - PENSION PLAN (Continued)**

Of the City's total payroll of \$4,862,319, \$4,548,545 was covered under the VMERS defined benefit plan. The total employer contribution to this plan was \$263,583 for fiscal year 2006, \$230,806 for fiscal year 2005 and \$226,184 for fiscal year 2004.

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 2006 was \$153,650. The balance as of June 30, 2006 was \$3,159,080.

Parking Lot Leases – The City leases four different parking lots around Montpelier for approximately \$100,000 a year. All are cancelable by the City. The City is responsible for the repair maintenance and upkeep of the parking lots. One lease for approximately \$38,000 was cancelled in August.

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.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 17 - COMMITMENTS (Continued)**

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.

Leases

In April and May of 2006, the City entered into 60-month leases for two copiers. The leases call for monthly payments of \$567 and \$651. The lease expense for the year ended June 30, 2006 was \$1,785.

The minimum lease payments are as follows:

2007	\$	14,616
2008		14,616
2009		14,616
2010		14,616
2011		12,831
	\$	<u>71,295</u>

**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 City must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

CITY OF MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 19 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2006, expenditures exceeded appropriations in the General Fund by \$491,764. The excess expenditures were funded by excess revenues and available fund balance.

**NOTE 20 - BUDGETED DEFICIT**

The City elected to budget expenditures in excess of revenues by \$129,789 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 21 - SUBSEQUENT EVENTS**

On July 3, 2006, the City obtained a tax anticipation note up to \$2,500,000 from Community National Bank, interest at 3.68%, due June 3, 2007. In July of 2006 the City borrowed \$1,500,000 on the tax anticipation note.

On July 12, 2006, the City borrowed \$865,000 from the Vermont Municipal Bond Bank. Interest ranges from 3.835 to 4.665% and is due semi-annually starting December 1, 2006; principal payments range from \$45,000 to \$35,000 and are due annually from December 1, 2007 to December 1, 2026.



## SCHEDULE 1

CITY OF MONTPELIER, VERMONT  
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES –  
 BUDGET AND ACTUAL – GENERAL FUND  
 YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
<b>Property taxes:</b>			
Taxes	\$ 5,349,531	\$ 5,472,747	\$ 123,216
Payment in lieu of taxes	401,257	431,003	29,746
Interest and penalties	53,500	65,121	11,621
State administration allowance	9,008	9,027	19
Total property taxes	<u>5,813,296</u>	<u>5,977,898</u>	<u>164,602</u>
<b>Permits and licenses:</b>			
Business permits and licenses	7,300	9,325	2,025
Nonbusiness permits and licenses			
Dog licenses	2,300	2,638	338
Building permits	28,000	25,403	(2,597)
Miscellaneous other	0	6,750	6,750
Total permits and licenses	<u>37,600</u>	<u>44,116</u>	<u>6,516</u>
<b>Intergovernmental revenues</b>			
<b>Federal grants</b>			
Police	0	90,590	90,590
Fire	0	75,569	75,569
Schools-Resource Officer	0	60,869	60,869
<b>State funds</b>			
Highway aid	215,000	213,696	(1,304)
Tree Board Grant	0	2,000	2,000
Payment - statutory	184,000	184,000	0
Act 60 reappraisal	9,738	27,721	17,983
Total intergovernmental revenues	<u>408,738</u>	<u>654,445</u>	<u>245,707</u>
<b>Fees and charges for services</b>			
<b>General Government fees</b>			
Recording documents	68,000	50,574	(17,426)
Records restoration fee	0	8,344	8,344
Planning dept fees	15,500	20,700	5,200
Sale of GIS materials	0	35	35
Photocopy machine	325	317	(8)
Clerk & Treasurer fees	17,600	13,491	(4,109)
<b>Public Safety service fees</b>			
Police Department	18,380	18,385	5
Outside police/fire service	4,500	8,175	3,675
Fire Department misc fees	150	2,526	2,376
Police Department misc fees	5,000	10,225	5,225
Ambulance services	306,078	358,891	52,813
<b>Public Works service fees</b>			
Stump dump fees	1,000	1,654	654
Miscellaneous public works	12,000	15,896	3,896
Support services	2,000	2,000	0
CPR course fees	1,000	4,560	3,560
Interdepartmental Charges	811,304	811,304	0
Total fees and charges for services	<u>1,262,837</u>	<u>1,327,077</u>	<u>64,240</u>

## SCHEDULE 1

CITY OF MONTPELIER, VERMONT  
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES –  
 BUDGET AND ACTUAL – GENERAL FUND  
 YEAR ENDED JUNE 30, 2006

Rents and commissions			
Memorial room rentals	500	500	0
Total rents and commissions	<u>500</u>	<u>500</u>	<u>0</u>
Fines and forfeitures			
Police fines and forfeitures	35,000	14,518	(20,482)
Total fines and forfeitures	<u>35,000</u>	<u>14,518</u>	<u>(20,482)</u>
Equipment Revenues			
Fuel sales	72,521	52,895	(19,626)
Equipment rental	15,000	15,931	931
Miscellaneous equipment revenue	5,000	7,214	2,214
Total equipment revenues	<u>92,521</u>	<u>76,040</u>	<u>(16,481)</u>
Interest and miscellaneous income			
Investment income	30,000	31,954	1,954
Other income	10,500	4,424	(6,076)
Capital Fire mutual aid	47,758	47,748	(10)
Insurance reimbursements	0	38,084	38,084
Miscellaneous reimbursements	4,000	3,240	(760)
Sale of equipment	0	20,000	20,000
Connor note receivable interest income	8,722	8,074	(648)
Total interest and miscellaneous income	<u>100,980</u>	<u>153,524</u>	<u>52,544</u>
Total revenues	<u>7,751,472</u>	<u>8,248,118</u>	<u>496,646</u>
OTHER FINANCING SOURCES			
Operating transfers in -			
Transfer from CDA	30,000	30,000	0
Loan proceeds	0	15,639	15,639
Total other financing sources	<u>30,000</u>	<u>45,639</u>	<u>15,639</u>
Total revenues and other financing sources	<u>\$ 7,781,472</u>	<u>\$ 8,293,757</u>	<u>\$ 512,285</u>

## SCHEDULE 2

CITY OF MONTPELIER, VERMONT  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL – GENERAL FUND  
 YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Department of Finance			
General Government -			
Finance	\$ 237,295	\$ 268,590	\$ (31,295)
Technology services	144,381	144,287	94
Total department of finance	<u>381,676</u>	<u>412,877</u>	<u>(31,201)</u>
Office of City Clerk/Treasurer			
General Government -			
City Clerk/Treasurer	253,461	237,580	15,881
Office of Assessor			
General Government -			
Property assessment	82,576	91,965	(9,389)
City Hall maintenance	148,148	162,020	(13,872)
Total office of assessor	<u>230,724</u>	<u>253,985</u>	<u>(23,261)</u>
Department of Planning and Development			
General Government -			
Planning, zoning and development	296,101	303,075	(6,974)
Police Department			
Police administration	1,219,271	1,214,848	4,423
Resource officer	0	68,108	(68,108)
Communications	342,445	344,646	(2,201)
Total police department	<u>1,561,716</u>	<u>1,627,602</u>	<u>(65,886)</u>
Fire Department			
Fire - EMS	1,432,019	1,432,936	(917)
Emergency management	6,351	6,596	(245)
Total fire department	<u>1,438,370</u>	<u>1,439,532</u>	<u>(1,162)</u>
Department of Public Works			
Highway and streets -			
Streets	1,150,094	1,215,853	(65,759)
Fleet operations	429,186	438,436	(9,250)
Building operations	50,890	50,376	514
Health regulation/inspection	8,704	7,039	1,665
Total department of public works	<u>1,638,874</u>	<u>1,711,704</u>	<u>(72,830)</u>

## SCHEDULE 2

CITY OF MONTPELIER, VERMONT  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL – GENERAL FUND  
 YEAR ENDED JUNE 30, 2006

Non-departmental			
General Government -			
City Council	24,357	21,680	2,677
City Manager	254,473	270,380	(15,907)
County tax	53,000	53,995	(995)
Reappraisal expenses	0	16,735	(16,735)
Solid waste district fee	16,875	16,685	190
Green mountain transit	27,972	27,972	0
Central Vermont regional planning	6,830	6,830	0
Vermont league of cities and towns	6,439	6,439	0
Interest on tax anticipation note	0	7,885	(7,885)
Other expenses	0	12,310	(12,310)
Total general government	<u>389,946</u>	<u>440,911</u>	<u>(50,965)</u>
Culture and Recreation -			
Wrightsville Beach	3,616	3,616	0
Tree management	10,758	15,156	(4,398)
Outside agencies	209,335	239,585	(30,250)
Conservation	3,700	4,555	(855)
Total culture and recreation	<u>227,409</u>	<u>262,912</u>	<u>(35,503)</u>
Capital outlay -			
Police equipment	0	104,866	(104,866)
Fire & EMS	0	92,264	(92,264)
Equipment	229,151	276,200	(47,049)
Total capital outlay	<u>229,151</u>	<u>473,330</u>	<u>(244,179)</u>
Debt service -			
Principal	450,999	428,191	22,808
Interest	250,044	248,536	1,508
Total debt service	<u>701,043</u>	<u>676,727</u>	<u>24,316</u>
Total expenditures	<u>7,348,471</u>	<u>7,840,235</u>	<u>(491,764)</u>
OTHER FINANCING USES			
Transfer to Special Revenue Fund	20,000	20,000	0
Transfer to Water Fund	0	2,500	(2,500)
Transfer to Sewer Fund	0	6,000	(6,000)
Transfer to Capital Projects	346,700	346,700	0
Transfer to Cemetery	108,429	108,429	0
Transfer to Parks	87,661	87,661	0
Total other financing uses	<u>562,790</u>	<u>571,290</u>	<u>(8,500)</u>
Total expenditures and other financing uses	<u>\$ 7,911,261</u>	<u>\$ 8,411,525</u>	<u>\$ (500,264)</u>

SCHEDULE 3

CITY OF MONTPELIER, VERMONT  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	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	
<b>ASSETS</b>												
Cash	\$ 1,655	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,277	\$ 12,584	\$ 64,053	\$ 45,653	\$ 14,663	\$ 0	\$ 182,885
Investments	1,178	0	0	0	0	0	66,040	0	561,371	0	0	628,589
Receivables												
Other	16,886	186	0	0	45	0	0	0	0	0	0	17,117
Due from other funds	0	40,998	30,107	17,248	59,733	922	0	0	6,422	0	290,626	446,056
<b>Total assets</b>	<b>\$ 19,719</b>	<b>\$ 41,184</b>	<b>\$ 30,107</b>	<b>\$ 17,248</b>	<b>\$ 59,778</b>	<b>\$ 45,199</b>	<b>\$ 78,624</b>	<b>\$ 64,053</b>	<b>\$ 613,446</b>	<b>\$ 14,663</b>	<b>\$ 290,626</b>	<b>\$ 1,274,647</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>LIABILITIES</b>												
Accounts payable	\$ 3,168	\$ 3,580	\$ 10,585	\$ 0	\$ 1,164	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43	\$ 0	18,540
Accrued payroll, vacation and related accounts payable	1,415	718	0	0	4,593	0	0	0	0	0	0	6,726
Due to other funds	11,490	0	0	0	0	0	710	0	290,626	0	4,293	307,119
Deferred revenue	0	2,278	19,522	0	54,021	0	0	0	0	0	0	75,821
<b>Total liabilities</b>	<b>16,073</b>	<b>6,576</b>	<b>30,107</b>	<b>0</b>	<b>59,778</b>	<b>0</b>	<b>710</b>	<b>0</b>	<b>290,626</b>	<b>43</b>	<b>4,293</b>	<b>408,206</b>
<b>FUND BALANCES</b>												
Reserved	0	0	0	4,880	0	45,199	77,914	64,053	322,820	14,620	286,333	815,819
Unreserved	3,646	34,608	0	12,368	0	0	0	0	0	0	0	50,622
<b>Total fund balances</b>	<b>3,646</b>	<b>34,608</b>	<b>0</b>	<b>17,248</b>	<b>0</b>	<b>45,199</b>	<b>77,914</b>	<b>64,053</b>	<b>322,820</b>	<b>14,620</b>	<b>286,333</b>	<b>866,441</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,719</b>	<b>\$ 41,184</b>	<b>\$ 30,107</b>	<b>\$ 17,248</b>	<b>\$ 59,778</b>	<b>\$ 45,199</b>	<b>\$ 78,624</b>	<b>\$ 64,053</b>	<b>\$ 613,446</b>	<b>\$ 14,663</b>	<b>\$ 290,626</b>	<b>\$ 1,274,647</b>

SCHEDULE 4

CITY OF MONTPELIER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	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	\$ 2,572	\$ 0	\$ 0	\$ 149,015	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,587
Charges for services	37,075	0	0	0	0	0	0	0	0	0	0	37,075
Investment income	50	224	0	0	0	2,239	4,239	855	18,120	209	0	25,936
Contributions	75	2,133	0	0	3,600	922	0	0	0	0	0	6,730
Rents and commissions	0	3,240	0	0	0	0	0	0	0	0	0	3,240
Miscellaneous	1,146	1,109	20,962	12,050	2,124	0	0	0	0	0	0	37,391
Total revenues	38,346	9,278	20,962	12,050	154,739	3,161	4,239	855	18,120	209	0	261,959
EXPENDITURES:												
Culture and recreation	0	87,630	0	31,154	0	0	1,710	0	0	0	0	120,494
Cemetery expenses	165,973	0	0	0	0	0	0	0	0	0	0	165,973
Public safety	0	0	20,962	0	163,739	0	0	0	0	0	0	184,701
Capital outlay	11,963	0	0	0	0	0	0	0	0	0	0	11,963
Debt service - interest	716	0	0	0	0	0	0	0	0	0	0	716
Debt service - principal	6,780	0	0	0	0	0	0	0	0	0	0	6,780
Total expenditures	185,432	87,630	20,962	31,154	163,739	0	1,710	0	0	0	0	490,627
EXCESS REVENUES (EXPENDITURES)	(147,086)	(78,352)	0	(19,104)	(9,000)	3,161	2,529	855	18,120	209	0	(228,668)
OTHER FINANCING SOURCES (USES):												
Transfers in	144,638	87,661	0	11,000	9,000	0	0	0	5,700	0	18,120	276,119
Transfers out	(5,700)	(300)	0	0	0	0	(10,000)	0	(18,120)	(209)	(26,000)	(60,329)
Total other financing sources (uses)	138,938	87,361	0	11,000	9,000	0	(10,000)	0	(12,420)	(209)	(7,880)	215,790
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(8,148)	9,009	0	(8,104)	0	3,161	(7,471)	855	5,700	0	(7,880)	(12,878)
FUND BALANCES - JULY 1, 2005	11,794	25,599	0	25,352	0	42,038	85,385	63,198	317,120	14,620	294,213	879,319
FUND BALANCES - JUNE 30, 2006	\$ 3,646	\$ 34,608	\$ 0	\$ 17,248	\$ 0	\$ 45,199	\$ 77,914	\$ 64,053	\$ 322,820	\$ 14,620	\$ 286,333	\$ 866,441