

Federal Compliance Audit

City of Montpelier, Vermont

June 30, 2020



Proven Expertise & Integrity

CITY OF MONTPELIER, VERMONT

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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

City Council
City of Montpelier
Montpelier, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2020 and the related notes to the financial statements, which collectively comprise the City of Montpelier, Vermont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Montpelier, Vermont as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 64 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montpelier, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021, on our consideration of the City of Montpelier Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering the City of Montpelier's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 13, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

(UNAUDITED)

The following management's 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, 2020. Please read it in conjunction with the City's financial statements.

Financial Statement Overview

The City of Montpelier's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the City's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regard to the City's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of City activities. The types of activities presented for the City of Montpelier are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the City's basic services are reported in governmental activities, which include general government, public safety, public works, culture and recreation and other governmental services.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the City of Montpelier include the water fund, sewer fund, parking fund and district heat fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Montpelier, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the City of Montpelier can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City of Montpelier presents four columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The City's major governmental funds are the general fund, community development fund and capital projects fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the City legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The City of Montpelier maintains four proprietary funds: the water fund, the sewer fund, the parking fund and district heat fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions - Pensions.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the City's governmental activities. The City's total net position for governmental activities is \$44,261,905 compared to \$40,889,153 in the prior year, an increase of \$3,372,752. For the business-type activities total net position is \$30,957,086 as compared to \$28,912,717 in the prior year, an increase of \$2,044,369.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - is \$1,874,082 at the end of this year for governmental activities and a deficit balance of \$3,394,723 for the business-type activities.

Table 1
City of Montpelier, Vermont
Net Position
June 30,

| | 2020 | | 2019 (Restated) | |
|--|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | Governmental Activities | Business-type Activities |
| Assets: | | | | |
| Current Assets | \$ 8,376,612 | \$ 5,934,485 | \$ 10,514,235 | \$ 1,714,179 |
| Noncurrent Assets - Capital Assets | 50,088,316 | 52,144,204 | 46,339,728 | 43,667,794 |
| Total Assets | <u>58,464,928</u> | <u>58,078,689</u> | <u>56,853,963</u> | <u>45,381,973</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred Outflows Related to Pensions | 1,386,473 | 343,108 | 1,382,538 | 377,385 |
| Total Deferred Inflows of Resources | <u>1,386,473</u> | <u>343,108</u> | <u>1,382,538</u> | <u>377,385</u> |
| Liabilities: | | | | |
| Current Liabilities | 2,880,672 | 14,326,305 | 4,856,486 | 2,354,918 |
| Noncurrent Liabilities | 12,463,254 | 13,107,528 | 12,222,028 | 14,443,151 |
| Total Liabilities | <u>15,343,926</u> | <u>27,433,833</u> | <u>17,078,514</u> | <u>16,798,069</u> |
| Deferred Inflows of Resources: | | | | |
| Deferred Inflows Related to Pensions | 123,954 | 30,878 | 177,833 | 48,572 |
| Prepaid taxes | 40,151 | - | 24,829 | - |
| Deferred Revenue | 40,361 | - | 66,172 | - |
| Total Deferred Inflows of Resources | <u>204,466</u> | <u>30,878</u> | <u>268,834</u> | <u>48,572</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | 41,405,608 | 30,206,569 | 36,998,443 | 34,129,641 |
| Restricted | 1,023,317 | 4,145,240 | 818,138 | - |
| Unrestricted (deficit) | <u>1,874,082</u> | <u>(3,394,723)</u> | <u>3,072,572</u> | <u>(5,216,924)</u> |
| Total Net Position | <u>\$ 44,303,007</u> | <u>\$ 30,957,086</u> | <u>\$ 40,889,153</u> | <u>\$ 28,912,717</u> |

Table 2
City of Montpelier, Vermont
Change in Net Position
For the Years Ended June 30,

| | 2020 | | 2019 | |
|---|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | Governmental Activities | Business-type Activities | Governmental Activities | Business-type Activities |
| Revenues | | | | |
| <i>Program Revenues:</i> | | | | |
| Charges for services | \$ 2,642,763 | \$ 8,516,287 | \$ 2,923,539 | \$ 8,676,332 |
| Operating grants and contributions | 1,627,037 | - | 1,989,125 | - |
| Capital grants and contributions | 3,601,276 | 1,152,647 | 6,934,929 | 14,000 |
| <i>General Revenues:</i> | | | | |
| Taxes | 11,138,759 | - | 10,726,048 | - |
| Grants and contributions not restricted to specific programs | - | - | - | - |
| Investment income | 96,388 | 134,724 | 166,131 | 8,474 |
| Miscellaneous | 1,579,469 | 45,251 | 295,250 | 65,206 |
| Total Revenues | 20,685,692 | 9,848,909 | 23,035,022 | 8,764,012 |
| Expenses | | | | |
| General government | 3,479,567 | - | 3,005,271 | - |
| Public safety | 5,607,152 | - | 5,369,440 | - |
| Public works | 3,256,294 | - | 3,387,972 | - |
| Culture and recreation | 2,190,160 | - | 2,247,382 | - |
| Other governmental services | 1,499,239 | - | 1,324,452 | - |
| Interest expense | 243,540 | - | 159,499 | - |
| Capital outlay | 1,057,886 | - | - | - |
| Water | - | 2,469,870 | - | 2,518,321 |
| Sewer | - | 3,666,213 | - | 3,984,168 |
| Parking | - | 860,848 | - | 934,511 |
| District heat | - | 745,609 | - | 798,845 |
| Total Expenses | 17,333,838 | 7,742,540 | 15,494,016 | 8,235,845 |
| Total Transfers | 62,000 | (62,000) | 12,000 | (12,000) |
| Change in Net Position | 3,413,854 | 2,044,369 | 7,553,006 | 516,167 |
| Net Position - July 1, Restated | 40,889,153 | 28,912,717 | 33,336,147 | 28,396,550 |
| Net Position - June 30 | \$ 44,303,007 | \$ 30,957,086 | \$ 40,889,153 | \$ 28,912,717 |

Revenues and Expenses

Revenues for the City's governmental activities decreased by 10.20%, while total expenses increased by 11.87%. The largest decrease in revenues was in capital grants and contributions. General government and capital outlay experienced the largest increases in expenses.

The revenues for the proprietary fund increased by 12.38% while expenses decreased by 5.99%. The proprietary fund has four enterprise funds that all have a positive net position.

The proprietary funds had a change in operating income for the current year of \$1,141,579.

Financial Analysis of the City's Fund Statements

Governmental funds: The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending.

Table 3
City of Montpelier, Vermont
Fund Balances - Governmental Funds
June 30,

| | <u>2020</u> | <u>2019</u> | <u>Change Increase/ (Decrease)</u> |
|----------------------------|---------------------|---------------------|--|
| Major Funds: | | | |
| General Fund: | | | |
| Nonspendable | \$ 180,039 | \$ 152,058 | \$ 27,981 |
| Restricted | 127,775 | 87,338 | 40,437 |
| Committed | 176,963 | 165,555 | 11,408 |
| Unassigned | 1,414,226 | 1,489,922 | (75,696) |
| Community Development Fund | | | |
| Restricted | 320,200 | 320,200 | - |
| Committed | 103,806 | 239,220 | (135,414) |
| Capital Projects Fund | | | |
| Nonspendable | - | 28,421 | (28,421) |
| Committed | - | 817,486 | (817,486) |
| Unassigned | (77,946) | - | (77,946) |
| Subtotal Major Funds | <u>2,245,063</u> | <u>3,300,200</u> | <u>\$ (1,055,137)</u> |
| Nonmajor Funds: | | | |
| Special Revenue Funds: | | | |
| Nonspendable | 7,627 | 2,211 | 5,416 |
| Restricted | 87,081 | 67,698 | 19,383 |
| Committed | 1,258,865 | 1,189,961 | 68,904 |
| Unassigned | (927,331) | (577,534) | (349,797) |
| Permanent Funds: | | | |
| Nonspendable | 563,168 | 554,013 | 9,155 |
| Restricted | 488,261 | 430,239 | 58,022 |
| Subtotal Nonmajor Funds | <u>1,477,671</u> | <u>1,666,588</u> | <u>(188,917)</u> |
| Total Governmental Funds | <u>\$ 3,722,734</u> | <u>\$ 4,966,788</u> | <u>\$ (1,244,054)</u> |

The general fund total fund balance increased by \$4,130 from the prior fiscal year due to revenues exceeding expenditures and net transfers out to other funds. The Community Development Fund total fund balance decreased by \$135,414 due to expenditures and transfers to other funds that exceeded revenues. The Capital Projects Fund total fund balance decreased by \$923,853 due primarily to capital outlay expenditures that exceeded revenues and transfers from other funds. The nonmajor fund total fund balances decreased by \$567,978 from the prior fiscal year due to expenditures that exceeded revenues and net transfers from other funds.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Budgetary Highlights

There were no differences between the original and final budget for the general fund.

The general fund actual revenues exceeded the budgeted amounts by \$9,914. This was a result of all revenue categories being over-received with the exception of general tax revenue.

The general fund actual expenditures were over budget by \$5,785. All expenditures were under budget with the exception of general government, public safety and other governmental services.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the City increased by \$12,224,998 from the prior fiscal year. This increase was a result of current year capital additions of \$15,298,063 less net capital disposals of \$8,268 and depreciation expense of \$3,064,797. Refer to Note 4 of Notes to Financial Statements for more detailed information.

Table 4
City of Montpelier, Vermont
Capital Assets (Net of Depreciation)
June 30,

| | 2020 | 2019 |
|-------------------------------------|----------------|---------------|
| Land | \$ 3,013,609 | \$ 3,013,609 |
| Construction in progress | 34,910,212 | 20,998,753 |
| Buildings and building improvements | 18,419,659 | 18,835,519 |
| Machinery, equipment and vehicles | 3,733,907 | 3,868,238 |
| Infrastructure | 42,155,133 | 43,291,403 |
| Total | \$ 102,232,520 | \$ 90,007,522 |

Debt

At June 30, 2020, the City had \$22,165,583 in bonds and notes from direct borrowings outstanding versus \$24,281,152 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the City. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the City.

The City has noted subsequent event as a currently known fact. Refer to Note 18 of Notes to Financial Statements for more detailed information.

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 Kelly Murphy, Finance Director at 39 Main Street, Suite 6, Montpelier, Vermont 05602.

STATEMENT A

CITY OF MONTPELIER, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,762,228 | \$ 413,299 | \$ 3,175,527 |
| Investments | 1,523,522 | - | 1,523,522 |
| Restricted cash | - | 4,145,240 | 4,145,240 |
| Receivables (net of allowance for uncollectibles) | 842,464 | 1,882,839 | 2,725,303 |
| Loan receivable | 2,285,896 | - | 2,285,896 |
| Deposits | - | 1,600 | 1,600 |
| Prepaid items | 37,000 | 62,624 | 99,624 |
| Inventory | 150,666 | 203,719 | 354,385 |
| Internal balances | 774,836 | (774,836) | - |
| Total current assets | <u>8,376,612</u> | <u>5,934,485</u> | <u>14,311,097</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and other assets not being depreciated | 25,981,063 | 11,942,758 | 37,923,821 |
| Depreciable assets, net of accumulated depreciation | 24,107,253 | 40,201,446 | 64,308,699 |
| Total noncurrent assets | <u>50,088,316</u> | <u>52,144,204</u> | <u>102,232,520</u> |
| TOTAL ASSETS | <u>58,464,928</u> | <u>58,078,689</u> | <u>116,543,617</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 1,386,473 | 343,108 | 1,729,581 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,386,473</u> | <u>343,108</u> | <u>1,729,581</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 59,851,401</u> | <u>\$ 58,421,797</u> | <u>\$ 118,273,198</u> |

STATEMENT A (CONTINUED)
CITY OF MONTPELIER, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 672,925 | \$ 193,256 | \$ 866,181 |
| Accrued payroll and related expenses | 175,317 | 29,393 | 204,710 |
| Due to other governments | 513 | - | 513 |
| Unearned fees and charges for services | - | 20,561 | 20,561 |
| Grant anticipation note payable | 1,249,999 | - | 1,249,999 |
| Accrued interest payable | 47,452 | 31,399 | 78,851 |
| Bond anticipation note payable | - | 12,600,000 | 12,600,000 |
| Current portion of long-term obligations | 734,466 | 1,451,696 | 2,186,162 |
| Total current liabilities | <u>2,880,672</u> | <u>14,326,305</u> | <u>17,206,977</u> |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations: | | | |
| Bonds payable | 6,861,829 | 7,755,333 | 14,617,162 |
| Notes from direct borrowings payable | 1,183,404 | 4,275,846 | 5,459,250 |
| Accrued compensated absences | 549,615 | 112,668 | 662,283 |
| Net pension liability | 3,868,406 | 963,681 | 4,832,087 |
| Total noncurrent liabilities | <u>12,463,254</u> | <u>13,107,528</u> | <u>25,570,782</u> |
| TOTAL LIABILITIES | <u>15,343,926</u> | <u>27,433,833</u> | <u>42,777,759</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 123,954 | 30,878 | 154,832 |
| Prepaid taxes | 40,151 | - | 40,151 |
| Deferred revenue | 40,361 | - | 40,361 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>204,466</u> | <u>30,878</u> | <u>235,344</u> |
| NET POSITION | | | |
| Net Investment in capital assets | 41,405,608 | 30,206,569 | 71,612,177 |
| Restricted | 1,023,317 | 4,145,240 | 5,168,557 |
| Unrestricted (deficit) | 1,874,082 | (3,394,723) | (1,520,641) |
| TOTAL NET POSITION | <u>44,303,007</u> | <u>30,957,086</u> | <u>75,260,093</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 59,851,399</u> | <u>\$ 58,421,797</u> | <u>\$ 118,273,196</u> |

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

CITY OF MONTPELIER, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------|----------------------|-------------------------|--|--|--|---------------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 3,479,567 | \$ 1,850,387 | \$ 353,446 | \$ - | \$ (1,275,734) | \$ - | \$ (1,275,734) |
| Public safety | 5,607,152 | 190,914 | 655,884 | - | (4,760,354) | - | (4,760,354) |
| Public works | 3,256,294 | - | 222,826 | 3,601,276 | 567,808 | - | 567,808 |
| Culture and recreation | 2,190,160 | 601,462 | 63,319 | - | (1,525,379) | - | (1,525,379) |
| Other governmental services | 1,499,239 | - | 331,562 | - | (1,167,677) | - | (1,167,677) |
| Capital outlay | 1,057,886 | - | - | - | (1,057,886) | - | (1,057,886) |
| Interest on long-term debt | 243,540 | - | - | - | (243,540) | - | (243,540) |
| Total governmental activities | <u>17,333,838</u> | <u>2,642,763</u> | <u>1,627,037</u> | <u>3,601,276</u> | <u>(9,462,762)</u> | <u>-</u> | <u>(9,462,762)</u> |
| Business-type activities: | | | | | | | |
| Water | 2,469,870 | 2,883,933 | - | - | - | 414,063 | 414,063 |
| Sewer | 3,666,213 | 4,342,701 | - | 1,135,892 | - | 1,812,380 | 1,812,380 |
| Parking | 860,848 | 675,623 | - | - | - | (185,225) | (185,225) |
| District heat | 745,609 | 614,030 | - | 16,755 | - | (114,824) | (114,824) |
| Total business-type activities | <u>7,742,540</u> | <u>8,516,287</u> | <u>-</u> | <u>1,152,647</u> | <u>-</u> | <u>1,926,394</u> | <u>1,926,394</u> |
| Total government | <u>\$ 25,076,378</u> | <u>\$ 11,159,050</u> | <u>\$ 1,627,037</u> | <u>\$ 4,753,923</u> | <u>(9,462,762)</u> | <u>1,926,394</u> | <u>(7,536,368)</u> |

STATEMENT B (CONTINUED)
CITY OF MONTPELIER, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| | Governmental Activities | Business- type Activities | Total |
|---|----------------------------|---------------------------------|----------------------|
| Changes in net position: | | | |
| Net (expense) revenue | <u>(9,462,762)</u> | <u>1,926,394</u> | <u>(7,536,368)</u> |
| General revenues: | | | |
| Property taxes, levied for general purposes | | | |
| Municipal | 10,136,548 | - | 10,136,548 |
| Payment in lieu of taxes | 1,002,211 | - | 1,002,211 |
| Investment income | 96,388 | 134,724 | 134,724 |
| Miscellaneous | 1,579,469 | 45,251 | 1,624,720 |
| Total general revenues and transfers | <u>12,814,616</u> | <u>179,975</u> | <u>12,898,203</u> |
| Transfers | <u>62,000</u> | <u>(62,000)</u> | <u>-</u> |
| Change in net position | 3,413,854 | 2,044,369 | 5,458,223 |
| NET POSITION - JULY 1, RESTATED | <u>40,889,153</u> | <u>28,912,717</u> | <u>69,801,870</u> |
| NET POSITION - JUNE 30 | <u>\$ 44,303,007</u> | <u>\$ 30,957,086</u> | <u>\$ 75,260,093</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund | Community Development Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,364,403 | \$ 337,422 | \$ - | \$ 60,403 | \$ 2,762,228 |
| Investments | - | - | - | 1,523,522 | 1,523,522 |
| Receivables (net of allowance for uncollectibles) | 627,126 | - | 181,717 | 33,621 | 842,464 |
| Interfund loans receivable | - | 110,060 | - | - | 110,060 |
| Loans (net of allowance for uncollectibles) | - | 1,630,496 | - | 655,400 | 2,285,896 |
| Prepaid items | 29,373 | - | - | 7,627 | 37,000 |
| Inventory | 150,666 | - | - | - | 150,666 |
| Due from other funds | 2,506,943 | - | 1,027,000 | 1,472,739 | 5,006,682 |
| TOTAL ASSETS | \$ 5,678,511 | \$ 2,077,978 | \$ 1,208,717 | \$ 3,753,312 | \$ 12,718,518 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 480,224 | \$ 16,148 | \$ 36,664 | \$ 139,889 | \$ 672,925 |
| Accrued payroll and related expenses | 166,110 | - | - | 9,207 | 175,317 |
| Due to other governments | 513 | - | - | - | 513 |
| Interfund loans payable | - | - | - | 110,060 | 110,060 |
| Grant anticipation note payable | - | - | 1,249,999 | - | 1,249,999 |
| Due to other funds | 2,885,281 | - | - | 1,346,565 | 4,231,846 |
| TOTAL LIABILITIES | 3,532,128 | 16,148 | 1,286,663 | 1,605,721 | 6,440,660 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred tax revenues | 188,714 | - | - | - | 188,714 |
| Prepaid taxes | 40,151 | - | - | - | 40,151 |
| Deferred revenue | 18,514 | 1,637,824 | - | 669,919 | 2,326,257 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 247,379 | 1,637,824 | - | 669,919 | 2,555,122 |
| FUND BALANCES | | | | | |
| Nonspendable | 180,039 | - | - | 570,795 | 750,834 |
| Restricted | 127,775 | 320,200 | - | 575,342 | 1,023,317 |
| Committed | 176,963 | 103,806 | - | 1,258,865 | 1,539,634 |
| Assigned | - | - | - | - | - |
| Unassigned | 1,414,226 | - | (77,946) | (927,331) | 408,949 |
| TOTAL FUND BALANCES | 1,899,003 | 424,006 | (77,946) | 1,477,671 | 3,722,734 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 5,678,510 | \$ 2,077,978 | \$ 1,208,717 | \$ 3,753,311 | \$ 12,718,516 |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

| | <u>Total Governmental Funds</u> |
|---|---|
| Total Fund Balances | \$ 3,722,734 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 50,088,316 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above: | |
| Taxes and liens receivable | 188,714 |
| Loans receivable | 2,285,896 |
| Deferred outflows of resources are not financial resources and therefore are not reported in the funds | 1,386,473 |
| Long-term obligations are not due and payable in the current period and therefore are not reported in the funds: | |
| Accrued interest payable | (47,452) |
| Bonds payable | (7,434,039) |
| Notes from direct borrowings payable | (1,248,669) |
| Accrued compensated absences | (646,606) |
| Net pension liability | (3,868,406) |
| Deferred inflows of resources are not financial resources and therefore are not reported in the funds | <u>(123,954)</u> |
| Net position of governmental activities | <u><u>\$ 44,303,007</u></u> |

See accompanying independent auditors' report and notes to financial statements.

STATEMENT E

CITY OF MONTPELIER, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | General Fund | Community Development Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------------|-----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes, penalties and interest | \$ 11,059,249 | \$ - | \$ - | \$ - | \$ 11,059,249 |
| Intergovernmental revenue | 1,250,216 | 331,562 | 3,601,276 | 45,259 | 5,228,313 |
| Charges for services | 1,980,052 | - | - | 662,711 | 2,642,763 |
| Investment income | (40) | 1,063 | - | 95,365 | 96,388 |
| Other revenue | 114,676 | 16,792 | 285,260 | 107,569 | 524,297 |
| TOTAL REVENUES | 14,404,153 | 349,417 | 3,886,536 | 910,904 | 19,551,010 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 2,575,287 | - | - | - | 2,575,287 |
| Public safety | 5,461,726 | - | - | - | 5,461,726 |
| Public works | 2,114,265 | - | - | - | 2,114,265 |
| Culture and recreation | 587,818 | - | - | 1,520,079 | 2,107,897 |
| Other governmental services | 287,050 | 477,996 | - | 728,531 | 1,493,577 |
| Debt service: | | | | | |
| Principal | 554,819 | - | - | 45,577 | 600,396 |
| Interest | 170,847 | - | 58,044 | 14,649 | 243,540 |
| Capital outlay | - | - | 6,193,872 | 66,504 | 6,260,376 |
| TOTAL EXPENDITURES | 11,751,812 | 477,996 | 6,251,916 | 2,375,340 | 20,857,064 |
| EXCESS OF REVENUES OVER (UNDER) | | | | | |
| EXPENDITURES | 2,652,341 | (128,579) | (2,365,380) | (1,464,436) | (1,306,054) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 56,835 | - | 1,441,527 | 1,333,540 | 2,831,902 |
| Transfers (out) | (2,705,046) | (6,835) | - | (58,021) | (2,769,902) |
| TOTAL OTHER FINANCING SOURCES (USES) | (2,648,211) | (6,835) | 1,441,527 | 1,275,519 | 62,000 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 4,130 | (135,414) | (923,853) | (188,917) | (1,244,054) |
| FUND BALANCES (DEFICITS) - JULY 1 | 1,894,873 | 559,420 | 845,907 | 1,666,588 | 4,966,788 |
| FUND BALANCES (DEFICITS) - JUNE 30 | \$ 1,899,003 | \$ 424,006 | \$ (77,946) | \$ 1,477,671 | \$ 3,722,734 |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ (1,244,054)</u> |
| Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: | |
| Capital asset acquisitions | 5,210,758 |
| Capital asset disposals | (8,268) |
| Depreciation expense | <u>(1,453,902)</u> |
| | <u>3,748,588</u> |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported. | |
| Taxes and liens receivable | 79,510 |
| Loans receivable | <u>1,055,172</u> |
| | <u>1,134,682</u> |
| Deferred outflows of resources is a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds. | |
| | <u>3,935</u> |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. | |
| | <u>658,577</u> |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | |
| Accrued compensated absences | (93,319) |
| Net pension liability | <u>(848,434)</u> |
| | <u>(941,753)</u> |
| Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds. | |
| | <u>53,879</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ 3,413,854</u></u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

| | Enterprise Funds | | | | Total |
|---|----------------------|----------------------|-------------------|---------------------|----------------------|
| | Water Fund | Sewer Fund | Parking Fund | District Heat Fund | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 161,261 | \$ 251,988 | \$ 50 | \$ - | \$ 413,299 |
| Restricted cash | - | 4,145,240 | - | - | 4,145,240 |
| Accounts receivable (net of allowance for uncollectibles) | 790,259 | 845,089 | 66,566 | 180,925 | 1,882,839 |
| Deposits | - | - | 1,600 | - | 1,600 |
| Inventory | 144,966 | 51,713 | - | 7,040 | 203,719 |
| Prepaid items | 231 | 62,393 | - | - | 62,624 |
| Due from other funds | 239,405 | - | 146,137 | - | 385,542 |
| Total current assets | <u>1,336,122</u> | <u>5,356,423</u> | <u>214,353</u> | <u>187,965</u> | <u>7,094,863</u> |
| Noncurrent assets: | | | | | |
| Construction in progress | 378,283 | 11,313,803 | - | - | 11,692,086 |
| Land | 32,000 | - | 218,672 | - | 250,672 |
| Buildings | 11,557,678 | 9,824,589 | - | - | 21,382,267 |
| Infrastructure | 13,151,412 | 24,232,465 | 301,473 | 9,473,951 | 47,159,301 |
| Equipment and vehicles | 1,059,619 | 1,580,504 | 191,281 | 174,234 | 3,005,638 |
| Total capital assets | <u>26,178,992</u> | <u>46,951,361</u> | <u>711,426</u> | <u>9,648,185</u> | <u>83,489,964</u> |
| Less: accumulated depreciation | <u>(10,626,528)</u> | <u>(18,430,293)</u> | <u>(417,622)</u> | <u>(1,871,317)</u> | <u>(31,345,760)</u> |
| Total noncurrent assets | <u>15,552,464</u> | <u>28,521,068</u> | <u>293,804</u> | <u>7,776,868</u> | <u>52,144,204</u> |
| TOTAL ASSETS | <u>16,888,586</u> | <u>33,877,491</u> | <u>508,157</u> | <u>7,964,833</u> | <u>59,239,067</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions | 111,814 | 145,861 | 78,041 | 7,392 | 343,108 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>111,814</u> | <u>145,861</u> | <u>78,041</u> | <u>7,392</u> | <u>343,108</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 17,000,400</u> | <u>\$ 34,023,352</u> | <u>\$ 586,198</u> | <u>\$ 7,972,225</u> | <u>\$ 59,582,175</u> |

CITY OF MONTPELIER, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 JUNE 30, 2020

| | Enterprise Funds | | | | Total |
|--|----------------------|----------------------|-------------------|---------------------|----------------------|
| | Water Fund | Sewer Fund | Parking Fund | District Heat Fund | |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 26,283 | \$ 119,478 | \$ 44,127 | \$ 3,368 | \$ 193,256 |
| Accrued payroll and related expenses | 8,615 | 10,542 | 9,455 | 781 | 29,393 |
| Due to other funds | - | 562,354 | - | 598,024 | 1,160,378 |
| Unearned fees and charges for services | 20,561 | - | - | - | 20,561 |
| Accrued interest payable | 6,614 | 15,060 | - | 9,725 | 31,399 |
| Bond anticipation note payable | - | 12,600,000 | - | - | 12,600,000 |
| Current portion of long-term debt | 720,130 | 609,784 | 4,255 | 117,527 | 1,451,696 |
| Total current liabilities | 782,203 | 13,917,218 | 57,837 | 729,425 | 15,486,683 |
| Noncurrent liabilities: | | | | | |
| Noncurrent portion of long-term obligations: | | | | | |
| Bonds payable | 3,325,005 | 2,344,327 | 181,097 | 1,904,904 | 7,755,333 |
| Notes from direct borrowings payable | 1,246,948 | 2,196,761 | - | 832,137 | 4,275,846 |
| Accrued compensated absences | 38,417 | 50,191 | 20,542 | 3,518 | 112,668 |
| Net pension liability | 314,049 | 409,677 | 219,194 | 20,761 | 963,681 |
| Total noncurrent liabilities | 4,924,419 | 5,000,956 | 420,833 | 2,761,320 | 13,107,528 |
| TOTAL LIABILITIES | 5,706,622 | 18,918,174 | 478,670 | 3,490,745 | 28,594,211 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions | 10,062 | 13,127 | 7,024 | 665 | 30,878 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 10,062 | 13,127 | 7,024 | 665 | 30,878 |
| NET POSITION | | | | | |
| Net investment in capital assets | 10,260,381 | 14,915,436 | 108,452 | 4,922,300 | 30,206,569 |
| Restricted | - | 4,145,240 | - | - | 4,145,240 |
| Unrestricted (deficit) | 1,023,335 | (3,968,625) | (7,948) | (441,485) | (3,394,723) |
| TOTAL NET POSITION | 11,283,716 | 15,092,051 | 100,504 | 4,480,815 | 30,957,086 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 17,000,400 | \$ 34,023,352 | \$ 586,198 | \$ 7,972,225 | \$ 59,582,175 |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| | Enterprise Funds | | | | Total |
|--|----------------------|----------------------|-------------------|-----------------------|----------------------|
| | Water Fund | Sewer Fund | Parking Fund | District Heat Fund | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 2,883,933 | \$ 4,342,701 | \$ 675,623 | \$ 614,030 | \$ 8,516,287 |
| Interest and penalties | 20,958 | 22,465 | - | - | 43,423 |
| Other | 1,526 | - | 302 | - | 1,828 |
| TOTAL OPERATING REVENUES | 2,906,417 | 4,365,166 | 675,925 | 614,030 | 8,561,538 |
| OPERATING EXPENSES | | | | | |
| Administration | 544,428 | 543,526 | - | 7,701 | 1,095,655 |
| Supplies and treatment | 603,657 | 1,686,943 | - | - | 2,290,600 |
| Wastewater management | - | 195,453 | - | - | 195,453 |
| Distribution system | 571,768 | - | - | - | 571,768 |
| Collection system | - | 428,521 | - | - | 428,521 |
| Delinquent collection | 14,748 | 12,644 | - | - | 27,392 |
| Meter operations | 14,192 | - | - | - | 14,192 |
| Private sewer system maintenance | - | 13,052 | - | - | 13,052 |
| Parking enforcement | - | - | 610,839 | - | 610,839 |
| Parking lot leases | - | - | 92,710 | - | 92,710 |
| Parking lot maintenance | - | - | 122,772 | - | 122,772 |
| Alternative transportation expenses | - | - | 16,234 | - | 16,234 |
| District heat operating expenses | - | - | - | 329,876 | 329,876 |
| Depreciation | 578,408 | 695,956 | 10,802 | 325,729 | 1,610,895 |
| TOTAL OPERATING EXPENSES | 2,327,201 | 3,576,095 | 853,357 | 663,306 | 7,419,959 |
| OPERATING INCOME (LOSS) | 579,216 | 789,071 | (177,432) | (49,276) | 1,141,579 |
| NONOPERATING INCOME (EXPENSE) | | | | | |
| Transfers in | 15,000 | - | - | - | 15,000 |
| Transfers (out) | - | (65,000) | (12,000) | - | (77,000) |
| Capital grants | - | 1,135,892 | - | 16,755 | 1,152,647 |
| Interest income | - | 134,724 | - | - | 134,724 |
| Interest expense | (142,669) | (90,118) | (7,491) | (82,303) | (322,581) |
| TOTAL NONOPERATING INCOME (EXPENSE) | (127,669) | 1,115,498 | (19,491) | (65,548) | 902,790 |
| CHANGE IN NET POSITION | 451,547 | 1,904,569 | (196,923) | (114,824) | 2,044,369 |
| NET POSITION - JULY 1, RESTATED | 10,832,169 | 13,187,482 | 297,427 | 4,595,639 | 28,912,717 |
| NET POSITION - JUNE 30 | <u>\$ 11,283,716</u> | <u>\$ 15,092,051</u> | <u>\$ 100,504</u> | <u>\$ 4,480,815</u> | <u>\$ 30,957,086</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Enterprise Funds | | | | Total |
|---|--------------------|---------------------|------------------|--------------------|---------------------|
| | Water Fund | Sewer Fund | Parking Fund | District Heat Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 2,930,736 | \$ 4,325,047 | \$ 681,809 | \$ 522,627 | \$ 8,460,219 |
| Payments for wages and benefits | (734,598) | (833,284) | (468,881) | (52,098) | (2,088,861) |
| Payments to suppliers | (1,042,556) | (2,630,211) | (341,303) | (307,602) | (4,321,672) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>1,153,582</u> | <u>861,552</u> | <u>(128,375)</u> | <u>162,927</u> | <u>2,049,686</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Internal activity - receipts (payments) from/to other funds | (159,402) | (351,294) | 139,031 | 15,576 | (356,089) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>(159,402)</u> | <u>(351,294)</u> | <u>139,031</u> | <u>15,576</u> | <u>(356,089)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Interest income | - | 134,724 | - | - | 134,724 |
| Capital grant income | - | 1,135,892 | - | 16,755 | 1,152,647 |
| (Purchase) sale of fixed assets | (445,408) | (9,641,897) | - | - | (10,087,305) |
| Interest payments on bond payable | (142,669) | (90,118) | (7,491) | (82,303) | (322,581) |
| Proceeds from bonds/notes from direct borrowings payable | - | 12,600,000 | - | - | 12,600,000 |
| Principal payments on bond/note payable | (695,823) | (645,049) | (3,165) | (112,955) | (1,456,992) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(1,283,900)</u> | <u>3,493,552</u> | <u>(10,656)</u> | <u>(178,503)</u> | <u>2,020,493</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (289,720) | 4,003,810 | - | - | 3,714,090 |
| CASH AND CASH EQUIVALENTS - JULY 1 | <u>450,981</u> | <u>393,418</u> | <u>50</u> | <u>-</u> | <u>844,449</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30 | <u>\$ 161,261</u> | <u>\$ 4,397,228</u> | <u>\$ 50</u> | <u>\$ -</u> | <u>\$ 4,558,539</u> |

CITY OF MONTPELIER, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Enterprise Funds | | | | Total |
|--|---------------------|-------------------|---------------------|--------------------|---------------------|
| | Water Fund | Sewer Fund | Parking Fund | District Heat Fund | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ 579,216 | \$ 789,071 | \$ (177,432) | \$ (49,276) | \$ 1,141,579 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 578,408 | 695,956 | 10,802 | 325,729 | 1,610,895 |
| Pension expense | 30,660 | (60,352) | 65,419 | 5,729 | 41,456 |
| Changes in operating assets and liabilities: | | | | | |
| Decrease (increase) in accounts receivable | 14,302 | (40,119) | 5,884 | (91,403) | (111,336) |
| Decrease (increase) in inventory | (44,173) | (7,407) | - | 3,690 | (47,890) |
| Decrease (increase) in prepaid items | 945 | 67,192 | 4,228 | - | 72,365 |
| (Decrease) increase in accounts payable | (5,555) | (580,480) | (19,892) | (31,990) | (637,917) |
| (Decrease) increase in accrued payroll | 38 | (461) | 3,778 | 218 | 3,573 |
| (Decrease) increase in unearned fees and charges for services | 10,017 | - | - | - | 10,017 |
| (Decrease) increase in accrued compensated absences | (10,276) | (1,848) | (21,162) | 230 | (33,056) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 1,153,582</u> | <u>\$ 861,552</u> | <u>\$ (128,375)</u> | <u>\$ 162,927</u> | <u>\$ 2,049,686</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Montpelier was incorporated under the laws of the State of Vermont and was chartered on March 5, 1895. The City operates under City Council-Manager form of government and provides the following services: general government, public safety, public works, culture and recreation and other governmental services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The City's combined financial statements include all accounts and all operations of the City. We have determined that the City has one component unit, The Green Mountain Cemetery Commission as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

The Montpelier Public School System is a department of the City of Montpelier, Vermont authorized by Title VI of the City Charter. The School System operates under its separately elected Board of School Commissioners who appoint a Superintendent and provides education services. The School System also manages the Montpelier Recreation Department. The Montpelier Public School System is considered a primary government for financial reporting purposes in accordance with the standards set forth in Governmental Accounting Standards Board Statement No. 14, "Defining the Financial Reporting Entity". This standard is based on the concept that financial reporting by a local government should report the accountability of elected officials for organizations under their control. Although the Montpelier Public School System is referred to as a department in the charter of the City of Montpelier, it meets the three criteria set forth in the standard for determining a primary government. Those criteria are:

- a) It has a separately elected governing body. The voters of the City of Montpelier elect a board of seven School Commissioners who are charged with the exclusive management and control of the public schools and all school property of the City. Vacancies in the Board of School Commissioners are filled by the remaining members of the Board of School Commissioners.
- b) It is legally separate as defined in the standard. The Montpelier Public School System possesses the corporate powers that would distinguish it as being legally separate including the capacity to have its own name, the right to sue and be sued in its own name without recourse to the City of Montpelier and the right to buy, sell, lease and mortgage property in its name, subject to the approval of the voters. The Board of School Commissioners have all the powers of a Vermont town school district except the power to call elections or take property.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c) It is fiscally independent of other state and local governments. All monies received by the Montpelier Public School System from tuition and other sources and all funds received from the issuance of bonds or notes authorized by the voters of the City of Montpelier for school purposes are restricted for school purposes. The Montpelier Public School System determines its own budget (the City has a ministerial approval power over the budget but does not have the authority to modify the budget), has its own tax appropriation approved by the voters of the City of Montpelier and sets rates or charges for tuition and other services without approval of any other government. As is the case in Vermont municipalities generally, issuance of bonded debt is subject to the approval of the voters.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a “stay at home” directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

Impact on and Results of Operations

On March 31, 2020 Vermont Secretary of State issued a “Waiver of Mandated Upcoming Municipal Election Dates in 2020”. This allowed mandated date meetings or elections and special meeting petitions to be delayed pursuant to the order. This act was authorized by Act 92, §3 (2020). Additional guidance provided that all current incumbent officers would retain their position until the election may be held. As most Vermont

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

municipalities hold their annual meetings during the first week of March annually, most City meeting days occurred as scheduled.

In accordance with Addendum 6 to Executive Order 01-20, issued by the Governor of Vermont on March 24, 2020 (also referred to as the “Stay Home, Stay Safe Order”) and Directive 5 to Executive Order 01-20, issued by the Governor of Vermont on March 26, 2020, City facilities were temporarily closed to the public unless by appointment from March 23, 2020 to July 2, 2020. Subsequently, City Hall was open to the public on Tuesdays and Thursdays. The City initiated voluntary furloughs of 33 employees from April 1, 2020 through August 1, 2020.

Extended deadlines

The City’s deadline for taxes was not extended. However, the City waived penalty and interest fees for the first 30 days giving residents more time to pay.

Unemployment rates

Closures of City facilities and staff reduction increased the unemployment expenditures of the City above budgeted levels for FY 2020. However, the City was able to compensate for those expenditures with current available resources.

Tax and excise tax 60-day deferred revenue extended

Closures and/or reduced hours of City facilities have provided limited ability for some taxpayers to remit payments for property and excise taxes that generally would have occurred during the current fiscal year. The City determined that revenue recognition for these revenues will extend for this one fiscal year from the normal 60-day period to a 90-day period from the date of the fiscal year end.

Impact on Finances

The City does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act funding and applicable State programs.

Expected Federal/State Support

The City may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the City expects that if those actions are necessary, that the City would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conclusion

The ongoing effects of COVID-19, including the financial impact to the City and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the City. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the City.

Implementation of New Accounting Standards

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance.” The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 “Certain Component Unit Criteria (paragraphs 4 & 5).” The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial 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).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's water fund, sewer fund, parking fund and district heat fund are categorized as business-type activities. All other activities of the City are categorized as governmental.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the 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. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The City does not allocate indirect costs. All costs are charged directly to the corresponding department.

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

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the City are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

Major funds:

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Community Development Fund is used to account for the financial resources of the Community Development grant and loan programs of the City. Revenue sources consist primarily of intergovernmental revenues.
- c. The Capital Projects Fund is used to account for major capital improvement projects in the City. Revenue sources consist primarily of intergovernmental revenues.

Nonmajor funds:

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- e. Permanent Funds are used to account for assets held by the City in trust for specific purposes.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the City:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available"

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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.

Budget

The City's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the City prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. In January, the Council finalizes a proposed budget to present to the City's residents.
2. 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. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that change the total expenditures of any fund must be approved by the City Council. There was a budget amendment during the year to transfer unused capital funds back to the general fund.
3. The budget was adopted subsequent to passage by the voters.

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the City's policy to value investments at fair value. None of the City's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The City Treasurer is authorized by State Statutes to invest all excess funds in the following:

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$343,757 as of June 30, 2020. Allowances for uncollectible accounts netted with accounts receivable were \$2,725,302 for the year ended June 30, 2020. The allowance for uncollectible accounts for loans receivable is estimated to be \$2,748,262 as of June 30, 2020. Allowances for uncollectible accounts netted with loans receivable were \$2,285,896 for the year ended June 30, 2020.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures when used. In the general fund, inventory consists of diesel fuel and gasoline. The enterprise fund inventory consists of water department supplies on hand at the end of the year. The cost value is determined using the first-in, first-out (FIFO) method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City.

Estimated useful lives are as follows:

| | |
|-------------------------|----------------|
| Buildings | 40 - 100 years |
| Building improvements | 15 - 75 years |
| Infrastructure | 10 - 25 years |
| Machinery and equipment | 5 - 20 years |
| Vehicles | 5 - 20 years |

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist primarily of bonds payable, notes from direct borrowings payable, accrued compensated absences and net pension liability.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) Plan and additions to/deductions from the VMERS Plan's fiduciary net position have been determined on the same basis as they are reported by the VMERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the City. The inhabitants of the City through City meetings are the highest level of decision-making authority of the City. Commitments may be established, modified or rescinded only through a City meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given annually by vote of the taxpayers and is expressed by the City Council.

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the City meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred tax revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. The City also has deferred

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenue and prepaid taxes which arises under both the modified accrual basis and the accrual basis. The City has deferred inflows of resources related to pensions, which arise only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the statement of net position.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The City's property tax for the current year was levied June 15, 2019 on the assessed value listed as of April 1, 2019, for all real and personal property located in the City. Taxes were due on August 15, 2019, November 15, 2019, February 15, 2020 and May 15, 2020.

A 5% penalty is charged for payment received within the first five days of the due date. After the first five days another 3% penalty is added for a total of 8% penalty to only be charged once. Interest is charged at a rate of 1% for the 2nd, 3rd and 4th months and then increases to 1.5% each month thereafter. Interest is not charged during the first month after the due date.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The City does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's policies, which follow state statutes, authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all City funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF.

At June 30, 2020, the City's cash balance of \$7,320,767 was comprised of bank deposits and cash equivalents totaling \$8,187,245. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the City's cash and cash equivalents balance. These bank deposits were comprised of \$4,733,700 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$3,453,545 that was in excess of federal depository insurance but collateralized with securities held by financial institutions in the City's name.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

| <u>Account Type</u> | <u>Bank Balance</u> |
|-----------------------|-------------------------|
| Checking accounts | \$ 1,474,025 |
| Sweep accounts | 1,496,777 |
| Money market accounts | 1,001,248 |
| ICS accounts | 4,158,296 |
| Cash equivalents | 56,899 |
| | <u>\$ 8,187,245</u> |

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments; however, the City seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

The City's investments were covered up to \$1,000,000 by Securities Investor Protection Corporation (SIPC). The remaining investments of \$523,522 were uncollateralized and uninsured.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

At June 30, 2020, the City had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>N/A</u> | <u>< 1 Year</u> | <u>1 - 5 Years</u> | <u>5+ Years</u> |
|-------------------------|-----------------------|---------------------|--------------------|--------------------|------------------|
| Debt securities: | | | | | |
| Municipal bonds | \$ 32,064 | \$ - | \$ - | \$ 15,041 | \$ 17,023 |
| Corporate bonds | 109,538 | - | - | 92,327 | 17,211 |
| Mortgage pools | 23,532 | - | - | - | 23,532 |
| Equity securities: | | | | | |
| Mutual funds: | | | | | |
| Equity - domestic | 435,418 | 435,418 | - | - | - |
| Fixed income - domestic | 920,382 | 920,382 | - | - | - |
| Exchange traded funds | 2,588 | 2,588 | - | - | - |
| | <u>\$ 1,523,522</u> | <u>\$ 1,358,388</u> | <u>\$ -</u> | <u>\$ 107,368</u> | <u>\$ 57,766</u> |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as June 30, 2020:

| | June 30, 2020 Total | Fair Value Measurements Using | | |
|---|------------------------|--|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
| <u>Investments by fair value level</u> | | | | |
| Debt securities: | | | | |
| Municipal bonds | \$ 32,064 | \$ 32,064 | \$ - | - |
| Corporate bonds | 109,538 | 109,538 | - | - |
| Mortgage pools | 23,532 | - | 23,532 | - |
| Total debt securities | <u>165,134</u> | <u>141,602</u> | <u>23,532</u> | <u>-</u> |
| Equity securities: | | | | |
| Common stock - domestic | \$ 435,418 | \$ 435,418 | \$ - | \$ - |
| Mutual funds - domestic and foreign | 920,382 | 920,382 | - | - |
| Exchange traded funds | 2,588 | 2,588 | - | - |
| Total equity securities | <u>1,358,388</u> | <u>1,358,388</u> | <u>-</u> | <u>-</u> |
| Total investments by fair value level | 1,523,522 | <u>\$ 1,499,990</u> | <u>\$ 23,532</u> | <u>\$ -</u> |
| <u>Cash equivalents measured at the net asset value (NAV)</u> | | | | |
| Money market funds | 56,899 | | | |
| Total cash equivalents measured at the NAV | <u>56,899</u> | | | |
| Total investments and cash equivalents measured at fair value | <u>\$ 1,580,421</u> | | | |

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2020 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk – Statutes for the State of Vermont authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The City does not have an investment policy on credit risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables.

| | <u>Receivables (Due from)</u> | <u>Payables (Due to)</u> |
|--------------------------------|-----------------------------------|------------------------------|
| General fund | \$ 2,506,943 | \$ 2,885,281 |
| Capital projects fund | 1,027,000 | - |
| Nonmajor special revenue funds | 984,478 | 857,184 |
| Nonmajor permanent funds | 488,261 | 489,381 |
| Enterprise funds | 385,542 | 1,160,378 |
| | <u>\$ 5,392,224</u> | <u>\$ 5,392,224</u> |

The result of amounts owed between funds are considered to be in the course of normal operations by the City. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

| | <u>Transfers From</u> | <u>Transfers To</u> |
|--------------------------------|---------------------------|-------------------------|
| General fund | \$ 56,835 | \$ 2,705,046 |
| Community development fund | - | 6,835 |
| Capital projects fund | 1,441,527 | - |
| Nonmajor special revenue funds | 1,275,519 | - |
| Nonmajor permanent funds | 58,021 | 58,021 |
| Enterprise funds | 15,000 | 77,000 |
| | <u>\$ 2,846,902</u> | <u>\$ 2,846,902</u> |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - INTERFUND TRANSFERS (CONTINUED)

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

| | Balance, 7/1/19 | Additions | Transfers/ Disposals | Balance, 6/30/20 |
|--|----------------------|---------------------|-------------------------|----------------------|
| <u>Governmental activities</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 2,762,937 | \$ - | \$ - | \$ 2,762,937 |
| Construction in progress | 19,026,460 | 4,191,666 | - | 23,218,126 |
| | <u>21,789,397</u> | <u>4,191,666</u> | <u>-</u> | <u>25,981,063</u> |
| Depreciated assets: | | | | |
| Buildings and building improvements | 9,366,263 | - | - | 9,366,263 |
| Equipment and vehicles | 7,678,240 | 251,106 | (83,033) | 7,846,313 |
| Infrastructure | 22,310,859 | 767,986 | - | 23,078,845 |
| | <u>39,355,362</u> | <u>1,019,092</u> | <u>(83,033)</u> | <u>40,291,421</u> |
| Less: accumulated depreciation | <u>(14,805,031)</u> | <u>(1,453,902)</u> | <u>74,765</u> | <u>(16,184,168)</u> |
| | <u>24,550,331</u> | <u>(434,810)</u> | <u>(8,268)</u> | <u>24,107,253</u> |
| Net capital assets | <u>\$ 46,339,728</u> | <u>\$ 3,756,856</u> | <u>\$ (8,268)</u> | <u>\$ 50,088,316</u> |
| <u>Current year depreciation</u> | | | | |
| General government | | | | \$ 78,522 |
| Public safety | | | | 145,426 |
| Public works | | | | 1,142,029 |
| Recreation and culture | | | | 82,263 |
| Cemetery | | | | 5,662 |
| Subtotal governmental | | | | <u>1,453,902</u> |
| Water | | | | 578,408 |
| Sewer | | | | 695,956 |
| Parking | | | | 10,802 |
| District heat | | | | 325,729 |
| Subtotal business-type | | | | <u>1,610,895</u> |
| Total depreciation expense | | | | <u>\$ 3,064,797</u> |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5- CAPITAL ASSETS (CONTINUED)

| | Balance, 7/1/19 | Additions | Transfers/ Disposals | Balance, 6/30/20 |
|---------------------------------|----------------------|---------------------|-------------------------|----------------------|
| <u>Business-type activities</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 250,672 | \$ - | \$ - | \$ 250,672 |
| Construction in progress | 1,972,293 | 9,719,793 | - | 11,692,086 |
| | <u>2,222,965</u> | <u>9,719,793</u> | <u>-</u> | <u>11,942,758</u> |
| Depreciated assets: | | | | |
| Buildings | 21,382,267 | - | - | 21,382,267 |
| Equipment and vehicles | 2,801,653 | 203,985 | - | 3,005,638 |
| Infrastructure | 46,995,774 | 163,527 | - | 47,159,301 |
| | <u>71,179,694</u> | <u>367,512</u> | <u>-</u> | <u>71,547,206</u> |
| Less: accumulated depreciation | (29,734,865) | (1,610,895) | - | (31,345,760) |
| | <u>41,444,829</u> | <u>(1,243,383)</u> | <u>-</u> | <u>40,201,446</u> |
| Net capital assets | <u>\$ 43,667,794</u> | <u>\$ 8,476,410</u> | <u>\$ -</u> | <u>\$ 52,144,204</u> |

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2020:

| | Balance, 7/1/19 (Restated) | Additions | Deletions | Balance, 6/30/20 | Due Within One Year |
|--------------------------------------|----------------------------------|-------------|-----------------------|----------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Bonds payable | \$ 7,988,858 | \$ - | \$ (554,819) | \$ 7,434,039 | \$ 572,210 |
| Notes from direct borrowings payable | 1,352,427 | - | (103,758) | 1,248,669 | 65,265 |
| Total Governmental Activities | <u>\$ 9,341,285</u> | <u>\$ -</u> | <u>\$ (658,577)</u> | <u>\$ 8,682,708</u> | <u>\$ 637,475</u> |
| <u>Business-type Activities:</u> | | | | | |
| Bonds payable | \$ 9,773,899 | \$ - | \$ (994,904) | \$ 8,778,995 | \$ 1,023,662 |
| Notes from direct borrowings payable | 5,165,968 | - | (462,088) | 4,703,880 | 428,034 |
| Total Business-type Activities | <u>\$ 14,939,867</u> | <u>\$ -</u> | <u>\$ (1,456,992)</u> | <u>\$ 13,482,875</u> | <u>\$ 1,451,696</u> |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds and notes from direct borrowings payable:

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| <u>Bonds payable:</u> | | |
| \$2,070,000 Vermont Municipal Bond Bank, Library and Police Station. Originally issued 2000, Refinanced 2010. Principal payments of \$105,000 until December 2014 and then principal payments of \$100,000 until December 2020 with fixed interest rates varying from 4.974% to 5.644%. Matures December 2020. | \$ 100,000 | \$ - |
| \$7,880,000 Vermont Municipal Bond Bank, \$850,000 City Hall, \$5,550,000 water and \$1,480,000 sewer. Originally issued in 2004, Refinanced in 2012. Varying principal payments between \$350,000 and \$560,000 with a fixed net interest cost of 4.95%. Matures November 2024. | 200,000 | 2,360,000 |
| \$1,670,000 Vermont Municipal Bond Bank, issued in 2012. Principal payments of \$85,000 with six payments of \$80,000. Fixed interest rate varies from 1.098% to 3.908%. Matures November 2032. | 1,075,000 | - |
| \$2,760,000 Vermont Municipal Bond Bank, \$1,380,000 Street Improvements, \$1,380,000 sewer. Issued in 2013, refunded in 2017. Principal payments of \$69,000 with one final payment of \$33,500. Fixed interest rate varies between 0.444% and 4.854%. Matures November 2034. | 514,742 | 485,458 |
| \$415,000 Vermont Municipal Bond Bank, Bike Path. Originally issued in 2001, refinanced in 2010. Principal payments of \$20,000. Fixed interest rate of 4.674%. Matures December 2021. | 40,000 | - |
| \$865,000 Vermont Municipal Bond Bank, City Hall/DPW/Turntable Park Improvements. Principal payments of \$45,000 from December 2007 to December 2022, \$40,000 due December 2023, \$35,000 from December 2024 to December 2026. Fixed interest varies from 3.835% to 4.665%. Matures December 2026. | 280,000 | - |
| \$3,500,000 Vermont Municipal Bond Bank, VMERS Refunding split between governmental funds, water fund and sewer fund. Varying principal payments beginning with \$25,000 in November 2017 increasing to \$549,415 due in November 2032. Fixed interest rate of 6.501%. Matures November 2032. | 2,736,860 | 859,359 |
| \$1,150,000 Vermont Municipal Bond Bank, Sabins Pasture, Retaining Wall, Bridges and District Heat. Originally issued in 2009 refinanced in 2015. Principal payments of \$50,000 through November 2019, reducing to \$45,000 through November 2029. Fixed interest varies from 1.391% and 4.981%. Matures November 2029. | 333,437 | 116,564 |
| \$710,000 Vermont Municipal Bond Bank, Taylor Street projects, issued in 2017. Principal payments of \$35,500. Fixed interest varies from 1.550% and 3.820%. Matures November 2037. | 639,000 | - |
| \$2,600,000 Vermont Municipal Bond Bank, projects from capital projects, water fund and sewer fund. Issued in 2018. Principal payments of \$130,000. Fixed interest varies between 1.700% and 4.170%. Matures November 2038. | 1,235,000 | 1,235,000 |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG TERM DEBT (CONTINUED)

| | | |
|---|--------------|--------------|
| \$620,000 Vermont Municipal Bond Bank Issued in 2012 for the Montpelier Fire District. Principal payments of \$35,000 through November 2015, \$40,000 through November 2018, \$45,000 November 2019, \$50,000 through November 2021 and increase by \$5,000 till November 2024. Fixed interest rate ranging between 2.321% and 2.545%. Matures November 2024. | 280,000 | - |
| \$2,550,000 Vermont Municipal Bond Bank, water. Originally issued 1991, refinanced 1995, 2005 and 2015. Various principal payments between \$130,000 and \$195,000 and fixed interest rate of 7.14%. Matures November 2021. | - | 375,000 |
| \$2,310,000 Vermont Municipal Bond Bank, \$1,950,000 water, and \$360,000 sewer. Originally issued in 2007, refinanced in 2015. Various principal payments between \$95,000 and \$125,000. Fixed interest varied from 4.285% and 4.665%. Matures November 2027. | - | 820,000 |
| \$400,000 Vermont Municipal Bond Bank. Originally issued in 2008, refinanced in 2015. Principal payments of \$20,000 with a fixed interest rate from 1.900% and 4.650%. Matures November 2028. | - | 180,000 |
| \$274,484 Vermont Municipal Bank Bank, water treatment improvement. Principal payments of \$13,807, without interest. Matures January 2022. | - | 27,614 |
| \$820,000 Vermont Municipal Bond Bank, CSO Water treatment. Originally issued in 2001 and refinanced in 2010. Annual principal payments of \$40,000 through December 2019, \$35,000 through December 2031. Fixed interest rate of 4.958%. Matures December 2031. | - | 420,000 |
| \$2,000,000 Vermont Municipal Bond Bank. Issued in 2014. Principal payments of \$100,000 with fixed interest rates from 0.513% and 4.283%. Matures in November 2038. | - | 1,900,000 |
| | \$ 7,434,039 | \$ 8,778,995 |
| Total bonds payable | | |

Notes from direct borrowings payable:

| | | | | |
|---|----|--------|----|--------|
| \$142,000 Community Bank (formally Merchants Bank) for the purchase of an emergency services vehicle. Principal payable in equal annual installments of \$35,500 in January of each year, through January 2020. Fixed interest rate is 1.65% per annum. | \$ | - | \$ | - |
| \$35,000 Community Bank, Cemetery Commission loan. Principal payable in equal annual installments of \$11,667 in October of each year, through October 2020. Fixed interest rate is 1.95% per annum. | | 11,667 | | - |
| \$39,720 Vermont Municipal Bond Bank loan for water supply improvements. Principal annual payments of \$7,944 beginning September 2021 and ending September 2025. No interest or fees. | | 14,733 | | 24,987 |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG TERM DEBT (CONTINUED)

| | | |
|---|--------------|--------------|
| \$1,668,210 Vermont Municipal Bond Bank loan for sewer system improvements. Principal annual payments beginning at \$68,533 increasing to \$100,182 on December 2038. No interest is charged. Admin fees of 2.00%. | 590,471 | 1,001,453 |
| \$1,779,631 Vermont Municipal Bond Bank loan for sewer system improvements. Principal annual payments beginning at \$73,109 increasing to \$106,870 on December 2038. No interest is charged. Admin fees of 2.00%. | 631,798 | 1,071,549 |
| \$707,693 Vermont Environmental Protection Agency, Pollution Control Revolving Fund sewer improvement loan due in annual principal installments of \$35,497 through April 2020. No interest is charged. | - | - |
| \$3,483,418 Vermont Environmental Protection Agency, Pollution Control Revolving Fund water treatment improvement loan due in annual principal installments of \$174,171 through July 2025. No interest is charged. | - | 1,045,025 |
| \$525,880 State revolving loan fund, Sewer system improvement loan due in annual principal installments of \$26,456 through July 2022. No interest is charged. | - | 79,367 |
| \$688,000 State revolving loan fund, Sewer system improvement loan due in annual principal installments of \$34,432 through July 2023. No interest is charged. | - | 137,727 |
| \$521,286 State revolving loan fund, water treatment improvement loan due in annual principal installments of \$28,099 through June 2024. No interest is charged. | - | 112,399 |
| \$648,738 State revolving loan fund, water treatment improvement loan due in annual principal installments of \$34,710 through September 2025. No interest is charged. | - | 208,258 |
| \$1,174,700 Vermont Municipal Bond Bank, ARRA loan \$370,842 subsidy, various principal payments from \$34,746 to \$23,991. No interest is charged. Admin fee of 2.00% of principal balance. Matures November 2023. | - | 126,196 |
| \$28,135 Vermont Municipal Bond Bank, loan for sewer system improvements. Principal annual payments of \$5,627 beginning August 2021 and ending August 2025. No interest or fees. | - | 28,134 |
| \$30,780 Vermont Municipal Bond Bank, loan for sewer system improvements. Principal annual payments of \$6,156 beginning August 2021 and ending August 2025. No interest or fees. | - | 30,780 |
| \$750,000 Vermont Economic Development Authority, Public Heating District note due in principal of \$75,000 and interest beginning June 2031. Interest of 1.00% due annually through June 2040. | - | 750,000 |
| \$111,481 State of Vermont, District heat city room design and construction. Seven monthly payments of \$838 from October through April each year through April 2034. No interest is charged. | - | 88,005 |
| | - | 88,005 |
| Total notes from direct borrowings payable | \$ 1,248,669 | \$ 4,703,880 |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond and notes from direct borrowings payable principal and interest requirements for the following fiscal years ending June 30:

Governmental activities:

| | <u>Bonds payable</u> | | <u>Notes from direct borrowings payable</u> | |
|-----------|----------------------|---------------------|---|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 572,210 | \$ 325,695 | \$ 65,265 | \$ 24,265 |
| 2022 | 487,868 | 313,951 | 57,626 | 22,955 |
| 2023 | 492,769 | 293,948 | 58,730 | 21,852 |
| 2024 | 513,107 | 272,456 | 59,856 | 20,726 |
| 2025 | 533,008 | 244,855 | 61,005 | 19,577 |
| 2026-2030 | 2,451,594 | 911,053 | 311,293 | 79,827 |
| 2031-2035 | 2,016,983 | 258,580 | 340,747 | 47,425 |
| 2036-2040 | 366,500 | 26,370 | 294,147 | 12,336 |
| | <u>\$ 7,434,039</u> | <u>\$ 2,646,908</u> | <u>\$ 1,248,669</u> | <u>\$ 248,963</u> |

Business-type activities:

| | <u>Bonds payable</u> | | <u>Notes from direct borrowings payable</u> | |
|-----------|----------------------|---------------------|---|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 1,023,662 | \$ 254,191 | \$ 428,034 | \$ 43,291 |
| 2022 | 1,063,579 | 201,056 | 447,319 | 40,789 |
| 2023 | 881,021 | 270,971 | 449,872 | 38,235 |
| 2024 | 887,408 | 232,034 | 414,570 | 35,630 |
| 2025 | 923,656 | 189,794 | 329,997 | 33,203 |
| 2026-2030 | 1,943,756 | 645,218 | 777,962 | 135,386 |
| 2031-2035 | 1,395,913 | 267,549 | 976,381 | 80,436 |
| 2036-2040 | 660,000 | 54,560 | 879,745 | 20,918 |
| | <u>\$ 8,778,995</u> | <u>\$ 2,115,373</u> | <u>\$ 4,703,880</u> | <u>\$ 427,888</u> |

NOTE 7 - SHORT-TERM DEBT

Short-term debt for the year ended June 30, 2020 was as follows:

| | <u>Balance, 7/1/19</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, 6/30/20</u> |
|---------------------------------|----------------------------|---------------------|-----------------------|-----------------------------|
| <u>Governmental Activities:</u> | | | | |
| Tax/revenue anticipation note | \$ - | \$ 2,400,000 | \$ (2,400,000) | \$ - |
| Grant anticipation note payable | 1,640,367 | 953,198 | (1,343,565) | 1,250,000 |
| Total Governmental Activities | <u>\$ 1,640,367</u> | <u>\$ 3,353,198</u> | <u>\$ (3,743,565)</u> | <u>\$ 1,250,000</u> |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - SHORT-TERM DEBT (CONTINUED)

| | Balance, 7/1/19 | Additions | Deletions | Balance, 6/30/20 |
|----------------------------------|--------------------|---------------|-----------|---------------------|
| <u>Business-type Activities:</u> | | | | |
| Tax/revenue anticipation note | \$ - | \$ 12,600,000 | \$ - | \$ 12,600,000 |

Below is a brief description of the short-term debt for the City at June 30, 2020:

On June 28, 2019, the City of Montpelier, Vermont issued a grant anticipation note for the Taylor Street Project to provide liquidity for the governmental operations financed by federal and state grants. The grant anticipation note allowed for principal draws of up to \$4,000,000 with interest at 2.40% per annum and matured on June 26, 2020. There was a mutually agreed allonge to the note that extended maturity to August 26, 2020 with a reduction of principal amount to \$1,250,000.

On July 1, 2019, the City of Montpelier, Vermont issued a tax/revenue anticipation note to provide liquidity for the governmental operations financed by property taxes. The tax/revenue anticipation note allowed for principal draws of up to \$2,400,000 with interest at 2.30% per annum and matured on June 30, 2020. The note was paid in full on June 30, 2020 with \$55,125 of interest.

On July 1, 2019, the City of Montpelier, Vermont issued a bond anticipation note to provide liquidity for the costs of making wastewater treatment facility improvements. The note was financed in for \$7,600,000 with interest at a fixed rate of 2.85% per annum and matured on June 30, 2020. There was a mutually agreed upon allonge to the note that extended the maturity to June 30, 2021 with an interest payment of \$216,307 paid June 30, 2020.

On March 26, 2020, the City of Montpelier, Vermont issued a bond anticipation note to provide liquidity for the costs of capital improvements. The note was financed in for \$5,000,000 with interest at a fixed rate of 0.85% per annum and matures on March 31, 2020.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended June 30, 2020:

| | Balance, 7/1/19 | Additions | Deletions | Balance, 6/30/20 | Due Within One Year |
|----------------------------------|---------------------|-------------------|--------------------|---------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Accrued compensated absences | \$ 553,287 | \$ 93,319 | \$ - | \$ 646,606 | \$ 96,991 |
| Net pension liability | 3,019,972 | 848,434 | - | 3,868,406 | - |
| Total Governmental Activities | <u>\$ 3,573,259</u> | <u>\$ 941,753</u> | <u>\$ -</u> | <u>\$ 4,515,012</u> | <u>\$ 96,991</u> |
| <u>Business-type Activities:</u> | | | | | |
| Accrued compensated absences | \$ 145,724 | \$ - | \$ (33,056) | \$ 112,668 | \$ - |
| Net pension liability | 824,849 | 138,832 | - | 963,681 | - |
| Total Business-type Activities | <u>\$ 970,573</u> | <u>\$ 138,832</u> | <u>\$ (33,056)</u> | <u>\$ 1,076,349</u> | <u>\$ -</u> |

Please see Notes 9 and 16 for more detailed information on each of these long-term obligations.

NOTE 9 - ACCRUED COMPENSATED ABSENCES

The City's policies regarding vacation time do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2020, the City's liability for compensated absences is \$759,274.

CITY OF MONTPELIER, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 10 - RESTRICTED NET POSITION

At June 30, 2020, the City had the following restricted net position:

| | |
|---------------------------------|---------------------|
| General fund | \$ 127,775 |
| Community development fund | 320,200 |
| Sewer fund | 4,145,240 |
| Nonmajor special revenue funds: | |
| Green Mount Cemetery fund | 80,131 |
| Montpelier events fund | 6,329 |
| Montpelier foundation fund | 621 |
| Nonmajor permanent funds: | |
| Expendable cemetery trust fund | 488,261 |
| | <u>\$ 5,168,557</u> |

NOTE 11 - NONSPENDABLE FUND BALANCES

At June 30, 2020, the City had the following nonspendable fund balances:

| | |
|---|-------------------|
| General fund: | |
| Inventory | \$ 150,666 |
| Prepaid items | 29,373 |
| Nonmajor special revenue funds (Schedule D) | 570,795 |
| | <u>\$ 750,834</u> |

NOTE 12 - RESTRICTED FUND BALANCES

At June 30, 2020, the City had the following restricted fund balances:

| | |
|---|---------------------|
| General fund: | |
| Act 60 reappraisal | \$ 78,020 |
| Drug seizure | 7,620 |
| Records restoration | 21,752 |
| Park impact fees | 15,614 |
| Police K-9 reserve | 4,769 |
| Community development fund | 320,200 |
| Nonmajor special revenue funds (Schedule D) | 87,081 |
| Nonmajor permanent funds (Schedule H) | 488,261 |
| | <u>\$ 1,023,317</u> |

CITY OF MONTPELIER, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 13 - COMMITTED FUND BALANCES

At June 30, 2020, the City had the following committed fund balances:

| | |
|---|---------------------|
| General fund: | |
| Ash borer | \$ 28,000 |
| Justice center - revolving loan fund | 4,632 |
| Fire revenue reserve | 1,782 |
| Conservation commission | 22,849 |
| Health reimbursement arrangement | 119,700 |
| Community development fund | 103,806 |
| Nonmajor special revenue funds (Schedule D) | 1,258,865 |
| | <u>\$ 1,539,634</u> |

NOTE 14 - DEFICIT FUND BALANCES

At June 30, 2020 the City had the following deficit fund balances:

| | |
|-----------------------|---------------------|
| Capital projects fund | \$ 77,946 |
| TIF fund | 927,331 |
| | <u>\$ 1,005,277</u> |

NOTE 15 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL

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

In addition, the City of Montpelier, Vermont is a member of the Vermont League of Cities and Town's Employment Resource and Benefits Trust, Inc. (VERB). This is the new name of the recently merged VLCT Health Trust and Unemployment Insurance Trust. The VERB Trust is a nonprofit corporation that continues to provide all of the services that its two predecessor trusts offered in 2014: unemployment insurance; health insurance consultation for all groups and health insurance for large groups; dental coverage; vision

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL
(CONTINUED)

coverage; group life; long-term disability and short-term disability insurances; optional additional life insurance plans for employees to purchase at group rates and Health Advocate's Core Advocacy services. The trust is owned by the participating members. VERB underwriting and rate setting policies have been established after consultation with actuaries. The agreement does not permit the VERB Trust to make additional assessments to its members.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071, or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system and two employer representatives - one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Schools and the Vermont School Boards Association.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State’s Department of Finance and Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

- Group A - general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

The City participates in Groups B, C and D. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

| VMERS | Group A | Group B | Group C | Group D |
|---------------------------------------|--|--|--------------------------------|--------------------------------|
| Normal service retirement eligibility | Age 65 with 5 years of service, or age 55 with 35 years of service | Age 62 with 5 years of service, or age 55 with 30 years of service | Age 55 with 5 years of service | Age 55 with 5 years of service |
| Average Final Compensation (AFC) | Highest 5 consecutive years | Highest 3 consecutive years | Highest 3 consecutive years | Highest 2 consecutive years |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| VMERS | Group A | Group B | Group C | Group D |
|--|---------------------------------|--|--|--|
| Benefit formula – Normal Service Retirement (no reduction) | 1.4% x creditable service x AFC | 1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC | 2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC | 2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC |
| Maximum Benefit Payable | 60% of AFC | 60% of AFC | 50% of AFC | 50% of AFC |
| Post-Retirement COLA | 50% of CPI, up to 2% per year | 50% of CPI, up to 3% per year | 50% of CPI, up to 3% per year | 50% of CPI, up to 3% per year |
| Early Retirement Eligibility | Age 55 with 5 years of service | Age 55 with 5 years of service | N/A | Age 50 with 20 years of service |
| Early Retirement Reduction | 6% per year from age 65 ** | 6% per year from age 62 ** | N/A | No reduction |

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2018 are as follows:

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| VMERS | Group A | Group B | Group C | Group D |
|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Employee Contributions | 2.750% of gross salary | 5.125% of gross salary | 10.250% of gross salary | 11.600% of gross salary |
| Employer Contributions | 4.250% of gross salary | 5.750% of gross salary | 7.500% of gross salary | 10.100% of gross salary |

Employee contributions are withheld pre-income tax by the City and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2020 totaled \$729,818. The City contributed \$571,904 for the year ended June 30, 2020. The City's total payroll for the year ended June 30, 2020 for all employees covered under this plan was \$7,290,290.

Pension Liabilities

At June 30, 2020, the City reported a liability of \$4,832,087 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2018. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2019, the City's proportion was 2.7852% for VMERS, which was an increase of 0.0541% from its proportion measured as of June 30, 2018 for VMERS.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the City recognized pension expense of \$946,035 for the VMERS plan. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| | VMERS | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 626,044 | \$ 41,767 |
| Changes of assumptions | 161,331 | - |
| Net difference between projected and actual earnings on pension plan investments | 329,118 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 41,184 | 113,065 |
| Contributions subsequent to the measurement date | 571,904 | - |
| Total | \$ 1,729,581 | \$ 154,832 |

\$571,904 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | VMERS Plan |
|--------------------------|---------------|
| Plan year ended June 30: | |
| 2020 | \$ 398,521 |
| 2021 | 197,983 |
| 2022 | 234,928 |
| 2023 | 171,413 |
| 2024 | - |
| Thereafter | - |

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2019 measurement date was determined by rolling forward the total pension liability as of June 30, 2018 to June 30, 2019. The total pension liability was calculated using the following actuarial assumptions:

Investment Rate of Return: 7.50%, net of pension plan investment expense, including inflation.

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Inflation: 2.50%

Salary Increases: 5.00% per year

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2006 Tables with generational improvement using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B and C blended with a 60% Blue Collar Employee and 40% Healthy Employee and Group D with a Blue Collar Annuitant Table

Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

Inactive Members: Valuation liability equals 200% of accumulated contributions.

Future Administrative Expenses: An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 50% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 COLA is 0.80% for all groups.

Actuarial Cost Method: The Entry Age Actuarial Cost Method is used. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class. These best estimate ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------------|-------------------|--|
| Global Equity | 29.00% | 6.90% |
| US Equity - Large Cap | 4.00% | 5.94% |
| US Equity - Small/Mid Cap | 3.00% | 6.72% |
| Non-US Equity - Large Cap | 5.00% | 6.81% |
| Non-US Equity - Small Cap | 2.00% | 7.31% |
| Emerging Markets Debt | 4.00% | 4.26% |
| Core Bonds | 14.00% | 1.79% |
| Non-Core Bonds | 6.00% | 3.22% |
| Short Quality Credit | 5.00% | 1.81% |
| Private Credit | 5.00% | 6.00% |
| US TIPS | 3.00% | 1.45% |
| Core Real Estate | 5.00% | 4.26% |
| Non-Core Real Estate | 3.00% | 5.76% |
| Private Equity | 10.00% | 10.81% |
| Infrastructure/Farmland | 2.00% | 4.89% |

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50% for the VMERS plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| <u>VMERS:</u> | | | |
| Discount rate | 6.50% | 7.50% | 8.50% |
| City's proportionate share of the net pension liability | \$ 7,923,895 | \$ 4,832,087 | \$ 2,272,642 |

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VMERS or their participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website at: http://finance.vermont.gov/reports_and_publications/cafr

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Parking Lot Leases

The City leases three different parking lots around Montpelier for approximately \$92,710 per year. All are cancelable by the City. The City is responsible for the repair, maintenance and upkeep of the parking lots.

Montpelier Fire District

The City and the Montpelier Fire District have an inter-local agreement that requires the City to pay approximately \$40,000 annually out of the Water Department revenues to the District. These payments entitle the City to integrate the improvements in the City's public water supply system and receive benefit of the improvements. This agreement shall remain in effect for as long as the Fire District has outstanding unpaid bonds issued to finance construction of the improvements.

Solar Group Net Metering Agreements

Over fiscal years 2015, 2016 and 2017, the City signed three "Solar Group Net Metering Agreements". The terms of the agreements are 20 years with two (2) additional 5-year extensions, if elected by the City. The system owner has constructed three arrays of photovoltaic panels in three different locations with an estimated annual output of 1.4 million kilowatt hours of electricity (kWh) allocated to the City. The systems became operational between May 2016 and January 2017. Each agreement is a commitment to pay the System owner a fee (service price) of 85% of the net metering credit value attributable to output from the system that is allocated to the City's meters. The net metering credit value will be between \$0.15 to \$0.25 per kWh. The initial service price of all systems is \$18,980 monthly, provided, however, that on the one-year anniversary date of the service commencement date and on each annual anniversary thereafter, the parties shall agree to change the estimated monthly service price for the next twelve months of the term based on the parties' good faith estimate of the average monthly actual service price for such twelve (12) month period. One of the agreements (Log Road) has a purchase option which can be exercised by the City in year 7 at the fair market value as determined by a mutually agreed upon independent appraiser.

Health Care Benefits

Since January 1, 2012, the City has offered a Blue Cross Blue Shield of Vermont high deductible health insurance plan with an employer funded Health Reimbursement Arrangement (HRA) to assist employees in paying their deductible costs. All eligible employees who choose to participate are enrolled in BlueCross BlueShield's CDHP (Consumer Directed Health Plan) Blue plan with a \$4,000 single and \$8,000 two person/family deductible. The City is responsible for the first \$3,500 of the maximum out-of-pocket health expenses for the single person plan. The City is responsible for the first

CITY OF MONTPELIER, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

\$7,000 of the maximum out-of-pocket health expenses of two person and family plans. In the first six years, the actual use of the City's HRA funding was below the budgeted 65%. Based on lower than budgeted employee HRA use over the five years, a committed fund has been established to offset future HRA overages. The balance of the HRA committed fund balance at June 30, 2020 is \$119,700.

When budgeting for the 2020 employee health insurance program costs, the City projected a use of 65% of the City's potential out-of-pocket funding obligation. If all employees used 100% of the City's out-of-pocket funding, health insurance costs would exceed the budgeted cost by an estimated \$178,850. The risk of this overage is low based on the first six years' HRA experience and the funds available in the reserve fund.

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the City's financial position.

The City participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 18 - TAX INCREMENT FINANCING DISTRICTS

The City has established tax increment financing districts in accordance with Vermont statutes to finance development programs located in the City of Montpelier.

On May 23, 2018, the Montpelier City Council voted to adopt the TIF District Plan and create a Tax Increment Financing District. After a warned public hearing on August 22, 2018, the Montpelier City Council approved a revised TIF District Finance Plan. The properties in the TIF District total approximately 176 acres and approximately \$105 million of assessed value. The District is comprised of 162 parcels, and it is located mostly within the Designated Downtown and entirely within the Designated Growth Center.

NOTE 19 - RESTATEMENTS

As of July 1, 2019, beginning net position of the governmental funds was restated for one item. The bonds payable balance and the beginning net position for governmental activities was restated to include a bond. The beginning bond payable balance was

CITY OF MONTPELIER, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - RESTATEMENTS (CONTINUED)

increased by \$325,000 from \$7,663,858 to \$7,988,858. The beginning net position for governmental activities was decreased by \$325,000 from \$41,214,153 to \$40,889,153.

As of July 1, 2019, beginning net position for business-type activities was restated to correct the long-term obligations balance in the water and district heat funds. The beginning net position for the water fund increased by \$15,498 from \$10,816,671 to \$10,832,169. The beginning net position for the district heat fund decreased by \$4,191 from \$4,599,830 to \$4,595,639.

The net restatement to the business-type activities net position was an increase of 11,307 from \$28,901,410 to \$28,912,717.

NOTE 20 - SUBSEQUENT EVENTS

On September 9, 2020, the City issued a bond payable for sewer improvements in the amount of \$11,861,000 at a fixed rate of 1.50% and a maturity date of September 15, 2050.

On July 1, 2020, the City issued a tax anticipation note in anticipation of tax revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principle draws up to \$2,500,000 at 1.52% fixed interest with a maturity date of June 24, 2020.

On February 14, 2020, the City entered into a noncancelable lease agreement with Municipal Leasing Consultants for ambulance stretchers. The principal lease amount is \$25,000 with a fixed rate of 6.250% and a maturity date of August 1, 2022.

On July 30, 2020, the City entered into a technology maintenance and service contract with VC3, Inc. The contract requires a migration fee of \$37,044, half to be paid in FY21 and the remaining half to be paid in FY22, a monthly service fee of \$17,265 and adjusted monthly after the first year based on services provided.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions

CITY OF MONTPELIER, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance Positive (Negative) |
|---------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 1,894,873 | \$ 1,894,873 | \$ 1,894,873 | \$ - |
| Resources (Inflows): | | | | |
| General tax revenue | 11,166,604 | 11,166,604 | 11,059,249 | (107,355) |
| Intergovernmental revenue | 1,203,894 | 1,203,894 | 1,250,216 | 46,322 |
| Charges for services | 1,960,275 | 1,960,275 | 1,980,052 | 19,777 |
| Other revenue | 65,300 | 65,300 | 114,636 | 49,336 |
| Transfers from other funds | 55,000 | 55,000 | 56,835 | 1,835 |
| Amounts Available for Appropriation | <u>16,345,946</u> | <u>16,345,946</u> | <u>16,355,861</u> | <u>9,915</u> |
| Charges to Appropriations (Outflows): | | | | |
| General government | 2,498,495 | 2,498,495 | 2,575,287 | (76,792) |
| Public safety | 5,395,760 | 5,395,760 | 5,461,726 | (65,966) |
| Public works | 2,123,939 | 2,123,939 | 2,114,265 | 9,674 |
| Culture and recreation | 668,456 | 668,456 | 587,818 | 80,638 |
| Other governmental services | 271,280 | 271,280 | 287,050 | (15,770) |
| Debt service | 735,598 | 735,598 | 725,666 | 9,932 |
| Transfers to other funds | 2,757,545 | 2,757,545 | 2,705,046 | 52,499 |
| Total Charges to Appropriations | <u>14,451,073</u> | <u>14,451,073</u> | <u>14,456,858</u> | <u>(5,785)</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 1,894,873</u> | <u>\$ 1,894,873</u> | <u>\$ 1,899,003</u> | <u>\$ 4,130</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>VMERS:</u> | | | | | | |
| Proportion of the net pension liability | 2.7852% | 2.7311% | 2.9328% | 3.0152% | 2.8399% | 2.9832% |
| Proportionate share of the net pension liability | \$ 4,832,087 | \$ 3,844,821 | \$ 3,553,302 | \$ 3,880,423 | \$ 2,189,455 | \$ 272,264 |
| Covered payroll | \$ 7,208,647 | \$ 6,795,188 | \$ 6,796,559 | \$ 6,535,724 | \$ 5,882,736 | \$ 5,935,366 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 67.03% | 56.58% | 52.28% | 59.37% | 37.22% | 4.59% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.35% | 83.64% | 80.95% | 87.42% | 98.32% | 92.71% |

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST 10 FISCAL YEARS*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>VMERS:</u> | | | | | | | |
| Contractually required contribution | \$ 571,904 | \$ 535,133 | \$ 478,723 | \$ 478,959 | \$ 458,261 | \$ 396,977 | \$ 384,812 |
| Contributions in relation to the contractually required contribution | <u>(571,904)</u> | <u>(535,133)</u> | <u>(478,723)</u> | <u>(478,959)</u> | <u>(458,261)</u> | <u>(396,977)</u> | <u>(384,812)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | \$ 7,290,290 | \$ 7,208,647 | \$ 6,795,188 | \$ 6,796,559 | \$ 6,535,724 | \$ 5,882,736 | \$ 5,935,366 |
| Contributions as a percentage of covered payroll | 7.84% | 7.42% | 7.05% | 7.05% | 7.01% | 6.75% | 6.48% |

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CITY OF MONTPELIER, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2020

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|-------------------------------|----------------------|----------------------|----------------------|------------------------------------|
| REVENUES | | | | |
| General tax revenues: | | | | |
| Property taxes | \$ 9,858,092 | \$ 9,858,092 | \$ 9,794,096 | \$ (63,996) |
| Payment in lieu of taxes | 958,512 | 958,512 | 1,002,211 | 43,699 |
| Local options tax | 270,000 | 270,000 | 197,895 | (72,105) |
| Interest and penalties | 80,000 | 80,000 | 65,047 | (14,953) |
| Intergovernmental revenues | 1,203,894 | 1,203,894 | 1,250,216 | 46,322 |
| Charges for services: | | | | |
| Fees and charges for services | 1,828,275 | 1,828,275 | 1,850,387 | 22,112 |
| Permits and licenses | 114,000 | 114,000 | 112,148 | (1,852) |
| Fines and forfeitures | 18,000 | 18,000 | 17,517 | (483) |
| Other income: | | | | |
| Interest income | 45,000 | 45,000 | (40) | (45,040) |
| Reimbursements | 12,800 | 12,800 | 98,532 | 85,732 |
| Rental income | 1,000 | 1,000 | 1,245 | 245 |
| Miscellaneous | 6,500 | 6,500 | 14,899 | 8,399 |
| Transfers from other funds | 55,000 | 55,000 | 56,835 | 1,835 |
| Total revenues | \$ 14,451,073 | \$ 14,451,073 | \$ 14,460,988 | \$ 9,915 |

CITY OF MONTPELIER, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|-------------------------------|--------------------|-----------------------|------------------|------------------|------------------------------------|
| General government | | | | | |
| City council operations | \$ 40,432 | \$ - | \$ 40,432 | \$ 22,940 | \$ 17,492 |
| City manager's office | 430,120 | - | 430,120 | 514,853 | (84,733) |
| Clerk/elections | 162,460 | - | 162,460 | 132,442 | 30,018 |
| Finance/Treasurer department | 501,596 | - | 501,596 | 570,753 | (69,157) |
| Technology services | 270,981 | - | 270,981 | 274,510 | (3,529) |
| Property assessment | 184,975 | - | 184,975 | 177,007 | 7,968 |
| Planning and development | 406,718 | - | 406,718 | 428,535 | (21,817) |
| City Hall maintenance | 338,892 | - | 338,892 | 277,661 | 61,231 |
| Downtown improvement district | 60,000 | - | 60,000 | 60,854 | (854) |
| Employee benefits | 8,000 | - | 8,000 | 7,758 | 242 |
| Abatements | 89,000 | - | 89,000 | 77,096 | 11,904 |
| Miscellaneous | 5,320 | - | 5,320 | 30,878 | (25,558) |
| | <u>2,498,495</u> | <u>-</u> | <u>2,498,495</u> | <u>2,575,287</u> | <u>(76,792)</u> |
| Public safety | | | | | |
| Police: | | | | | |
| Operations | 2,031,690 | - | 2,031,690 | 2,048,123 | (16,433) |
| Communications | 723,032 | - | 723,032 | 706,884 | 16,148 |
| Outside pay | - | - | - | 53,052 | (53,052) |
| School Resource Officer | 111,660 | - | 111,660 | 120,499 | (8,839) |
| Community Justice Center | 136,445 | - | 136,445 | 126,492 | 9,953 |
| Re-entry program | 202,681 | - | 202,681 | 191,646 | 11,035 |
| Fire and ambulance | 2,089,189 | - | 2,089,189 | 2,120,547 | (31,358) |
| Code/health enforcement | 92,563 | - | 92,563 | 81,483 | 11,080 |
| Emergency management | 8,500 | - | 8,500 | 13,000 | (4,500) |
| | <u>5,395,760</u> | <u>-</u> | <u>5,395,760</u> | <u>5,461,726</u> | <u>(65,966)</u> |
| Public works | | | | | |
| Streets | 1,497,248 | - | 1,497,248 | 1,470,041 | 27,207 |
| Fleet operations | 566,291 | - | 566,291 | 571,035 | (4,744) |
| Building operations | 60,400 | - | 60,400 | 73,189 | (12,789) |
| | <u>2,123,939</u> | <u>-</u> | <u>2,123,939</u> | <u>2,114,265</u> | <u>9,674</u> |

CITY OF MONTPELIER, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Original Budget | Budget Adjustments | Final Budget | Actual | Variance Positive (Negative) |
|---|----------------------|-----------------------|----------------------|----------------------|------------------------------------|
| Culture and recreation | | | | | |
| Wrightsville beach | 9,615 | - | 9,615 | 12,020 | (2,405) |
| Kellogg-Hubbard library | 350,471 | - | 350,471 | 350,471 | - |
| Community fund | 133,250 | - | 133,250 | 127,250 | 6,000 |
| Community enhancements | 66,600 | - | 66,600 | 46,275 | 20,325 |
| Tree management and board | 105,020 | - | 105,020 | 47,502 | 57,518 |
| Conservation commission | 3,500 | - | 3,500 | 4,300 | (800) |
| | <u>668,456</u> | <u>-</u> | <u>668,456</u> | <u>587,818</u> | <u>80,638</u> |
| Other governmental services | | | | | |
| County tax | 74,200 | - | 74,200 | 76,036 | (1,836) |
| Solid waste distribution fee | 8,000 | - | 8,000 | 7,671 | 329 |
| Green Mountain Transit | 70,000 | - | 70,000 | 69,371 | 629 |
| Central Vermont Regional Planning | 8,880 | - | 8,880 | 9,426 | (546) |
| VT League of Cities and Towns | 10,200 | - | 10,200 | 10,446 | (246) |
| Central Vermont Public Safety Authority | - | - | - | 14,100 | (14,100) |
| Local development corporation | 100,000 | - | 100,000 | 100,000 | - |
| | <u>271,280</u> | <u>-</u> | <u>271,280</u> | <u>287,050</u> | <u>(15,770)</u> |
| Debt service | | | | | |
| Principal | 556,590 | - | 556,590 | 554,819 | 1,771 |
| Interest | 179,008 | - | 179,008 | 170,847 | 8,161 |
| | <u>735,598</u> | <u>-</u> | <u>735,598</u> | <u>725,666</u> | <u>9,932</u> |
| Transfers | | | | | |
| Special revenue funds | 1,244,518 | - | 1,244,518 | 1,244,519 | (1) |
| Capital projects funds | 1,513,027 | - | 1,513,027 | 1,460,527 | 52,500 |
| | <u>2,757,545</u> | <u>-</u> | <u>2,757,545</u> | <u>2,705,046</u> | <u>52,499</u> |
| TOTAL DEPARTMENTAL OPERATIONS | <u>\$ 14,451,073</u> | <u>\$ -</u> | <u>\$ 14,451,073</u> | <u>\$ 14,456,858</u> | <u>\$ (5,785)</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|---------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 56,141 | \$ 4,262 | \$ 60,403 |
| Investments | 475,235 | 1,048,287 | 1,523,522 |
| Accounts receivable (net of allowance for uncollectibles) | 33,621 | - | 33,621 |
| Loans (net of allowance for uncollectibles) | 655,400 | - | 655,400 |
| Prepaid items | 7,627 | - | 7,627 |
| Due from other funds | 984,478 | 488,261 | 1,472,739 |
| TOTAL ASSETS | <u>\$ 2,212,502</u> | <u>\$ 1,540,810</u> | <u>\$ 3,753,312</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 139,889 | \$ - | \$ 139,889 |
| Accrued payroll and related expenses | 9,207 | - | 9,207 |
| Interfund loans payable | 110,060 | - | 110,060 |
| Due to other funds | 857,184 | 489,381 | 1,346,565 |
| TOTAL LIABILITIES | <u>1,116,340</u> | <u>489,381</u> | <u>1,605,721</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | 669,919 | - | 669,919 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>669,919</u> | <u>-</u> | <u>669,919</u> |
| FUND BALANCES | | | |
| Nonspendable | 7,627 | 563,168 | 570,795 |
| Restricted | 87,081 | 488,261 | 575,342 |
| Committed | 1,258,865 | - | 1,258,865 |
| Assigned | - | - | - |
| Unassigned | (927,331) | - | (927,331) |
| TOTAL FUND BALANCES | <u>426,242</u> | <u>1,051,429</u> | <u>1,477,671</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 2,212,501</u> | <u>\$ 1,540,810</u> | <u>\$ 3,753,311</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Special Revenue Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|---------------------|---|
| REVENUES | | | |
| Intergovernmental revenue | \$ 45,259 | \$ - | \$ 45,259 |
| Charges for service | 662,711 | - | 662,711 |
| Investment income, net of unrealized gains/(losses) | 28,188 | 67,177 | 95,365 |
| Other revenue | 107,569 | - | 107,569 |
| TOTAL REVENUES | <u>843,727</u> | <u>67,177</u> | <u>910,904</u> |
| EXPENDITURES | | | |
| Culture and recreation | 1,520,079 | - | 1,520,079 |
| Other governmental services | 728,531 | - | 728,531 |
| Capital outlay: | | | |
| Building improvements and equipment | 66,504 | - | 66,504 |
| Debt service: | | | |
| Principal | 45,577 | - | 45,577 |
| Interest | 14,649 | - | 14,649 |
| TOTAL EXPENDITURES | <u>2,375,340</u> | <u>-</u> | <u>2,375,340</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,531,613)</u> | <u>67,177</u> | <u>(1,464,436)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,275,519 | 58,021 | 1,333,540 |
| Transfers (out) | - | (58,021) | (58,021) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>1,275,519</u> | <u>-</u> | <u>1,275,519</u> |
| NET CHANGE IN FUND BALANCES | (256,094) | 67,177 | (188,917) |
| FUND BALANCES - JULY 1 | <u>682,336</u> | <u>984,252</u> | <u>1,666,588</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 426,242</u> | <u>\$ 1,051,429</u> | <u>\$ 1,477,671</u> |

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

CITY OF MONTPELIER, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

| | Green Mount Cemetery Fund | Montpelier Parks Commission Fund | TIF Fund | Montpelier Events Fund | Conservation Fund |
|--|------------------------------------|---|------------------|------------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 200 | \$ - | \$ - | \$ - |
| Investments | 1,785 | - | - | - | - |
| Accounts receivable (net of allowance for uncollectibles) | 15,823 | 666 | - | 1,600 | - |
| Loans (net of allowance for uncollectibles) | - | - | - | - | - |
| Prepaid items | - | - | - | - | - |
| Due from other funds | 66,402 | 34,708 | - | 21,397 | 27,262 |
| TOTAL ASSETS | \$ 84,010 | \$ 35,574 | \$ - | \$ 22,997 | \$ 27,262 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,101 | \$ 4,258 | \$ 111,767 | \$ 2,055 | \$ - |
| Accrued payroll and related expenses | 2,778 | 876 | - | - | - |
| Interfund loans payable | - | - | - | - | - |
| Due to other funds | - | - | 815,564 | - | - |
| TOTAL LIABILITIES | 3,879 | 5,134 | 927,331 | 2,055 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred revenue | - | 7,919 | - | 5,000 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | 7,919 | - | 5,000 | - |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 80,131 | - | - | 6,329 | - |
| Committed | - | 22,521 | - | 9,613 | 27,262 |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | (927,331) | - | - |
| TOTAL FUND BALANCES (DEFICITS) | 80,131 | 22,521 | (927,331) | 15,942 | 27,262 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS) | \$ 84,010 | \$ 35,574 | \$ - | \$ 22,997 | \$ 27,262 |

SCHEDULE E (CONTINUED)

CITY OF MONTPELIER, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

| | Montpelier Foundation Fund | Montpelier Housing Trust Fund | Montpelier Recreation Fund | Montpelier Senior Citizens Fund | Towne Hill District Fire Fund | Total |
|--|----------------------------------|--|----------------------------------|--|--|---------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,274 | \$ - | \$ 50 | \$ 54,617 | \$ - | \$ 56,141 |
| Investments | - | - | - | 473,450 | - | 475,235 |
| Accounts receivable (net of allowance for uncollectibles) | - | - | 12,907 | 1,900 | 725 | 33,621 |
| Loans (net of allowance for uncollectibles) | - | 655,400 | - | - | - | 655,400 |
| Prepaid items | - | - | - | 7,627 | - | 7,627 |
| Due from other funds | - | 91,625 | 711,099 | - | 31,985 | 984,478 |
| TOTAL ASSETS | \$ 1,274 | \$ 747,025 | \$ 724,056 | \$ 537,594 | \$ 32,710 | \$ 2,212,502 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 2,916 | \$ 17,696 | \$ 96 | \$ 139,889 |
| Accrued payroll and related expenses | - | - | 3,049 | 2,504 | - | 9,207 |
| Interfund loans payable | - | - | - | 110,060 | - | 110,060 |
| Due to other funds | 653 | - | - | 40,968 | (1) | 857,184 |
| TOTAL LIABILITIES | 653 | - | 5,965 | 171,228 | 95 | 1,116,340 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred revenue | - | 655,400 | 500 | 1,100 | - | 669,919 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | 655,400 | 500 | 1,100 | - | 669,919 |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | - | - | - | 7,627 | - | 7,627 |
| Restricted | 621 | - | - | - | - | 87,081 |
| Committed | - | 91,625 | 717,591 | 357,639 | 32,614 | 1,258,865 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (927,331) |
| TOTAL FUND BALANCES (DEFICITS) | 621 | 91,625 | 717,591 | 365,266 | 32,614 | 426,242 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS) | \$ 1,274 | \$ 747,025 | \$ 724,056 | \$ 537,594 | \$ 32,709 | \$ 2,212,501 |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Green Mount Cemetery Fund | Montpelier Parks Commission Fund | TIF Fund | Montpelier Events Fund | Conservation Fund |
|--|------------------------------------|---|---------------------|------------------------------|----------------------|
| REVENUES | | | | | |
| Intergovernmental revenue | \$ - | \$ 12,959 | \$ - | \$ - | \$ - |
| Charges for service | 56,426 | 8,605 | - | - | - |
| Investment income, net of unrealized gains/(losses) | (521) | - | - | - | - |
| Other revenue | 34,248 | 14,727 | - | 2,600 | - |
| TOTAL REVENUES | 90,153 | 36,291 | - | 2,600 | - |
| EXPENDITURES | | | | | |
| Culture and recreation | - | 237,419 | - | - | - |
| Other governmental services | 232,022 | - | 349,797 | 10,304 | 13,908 |
| Capital outlay | 24,305 | 42,199 | - | - | - |
| Debt service: | | | | | |
| Principal | - | 577 | - | - | - |
| Interest | 448 | 2,216 | - | - | - |
| TOTAL EXPENDITURES | 256,775 | 282,411 | 349,797 | 10,304 | 13,908 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (166,622) | (246,120) | (349,797) | (7,704) | (13,908) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 186,003 | 242,741 | - | 5,000 | - |
| Transfers (out) | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 186,003 | 242,741 | - | 5,000 | - |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 19,381 | (3,379) | (349,797) | (2,704) | (13,908) |
| FUND BALANCES (DEFICITS) - JULY 1 | 60,750 | 25,900 | (577,534) | 18,646 | 41,170 |
| FUND BALANCES (DEFICITS) - JUNE 30 | \$ 80,131 | \$ 22,521 | \$ (927,331) | \$ 15,942 | \$ 27,262 |

SCHEDULE F (CONTINUED)

CITY OF MONTPELIER, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Montpelier Foundation Fund | Montpelier Housing Trust Fund | Montpelier Recreation Fund | Montpelier Senior Center Fund | Towne Hill District Fire Fund | Total |
|--|----------------------------------|--|----------------------------------|--|--|--------------------|
| REVENUES | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ 32,300 | \$ - | \$ 45,259 |
| Charges for service | - | - | 243,700 | 292,731 | 61,249 | 662,711 |
| Investment income, net of unrealized gains/(losses) | 2 | - | - | 28,707 | - | 28,188 |
| Other revenue | - | 15,000 | 6,658 | 34,088 | 248 | 107,569 |
| TOTAL REVENUES | <u>2</u> | <u>15,000</u> | <u>250,358</u> | <u>387,826</u> | <u>61,497</u> | <u>843,727</u> |
| EXPENDITURES | | | | | | |
| Culture and recreation | - | - | 767,891 | 514,769 | - | 1,520,079 |
| Other governmental services | - | 122,500 | - | - | - | 728,531 |
| Capital outlay | - | - | - | - | - | 66,504 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 45,000 | 45,577 |
| Interest | - | - | - | - | 11,985 | 14,649 |
| TOTAL EXPENDITURES | <u>-</u> | <u>122,500</u> | <u>767,891</u> | <u>514,769</u> | <u>56,985</u> | <u>2,375,340</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>2</u> | <u>(107,500)</u> | <u>(517,533)</u> | <u>(126,943)</u> | <u>4,512</u> | <u>(1,531,613)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 110,000 | 597,025 | 134,750 | - | 1,275,519 |
| Transfers (out) | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>110,000</u> | <u>597,025</u> | <u>134,750</u> | <u>-</u> | <u>1,275,519</u> |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 2 | 2,500 | 79,492 | 7,807 | 4,512 | (256,094) |
| FUND BALANCES (DEFICITS) - JULY 1 | <u>619</u> | <u>89,125</u> | <u>638,099</u> | <u>357,459</u> | <u>28,102</u> | <u>682,336</u> |
| FUND BALANCES (DEFICITS) - JUNE 30 | <u>\$ 621</u> | <u>\$ 91,625</u> | <u>\$ 717,591</u> | <u>\$ 365,266</u> | <u>\$ 32,614</u> | <u>\$ 426,242</u> |

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the City of Montpelier, Vermont in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of the cemeteries and various community organizations.

CITY OF MONTPELIER, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2020

| | George Blanchard Trust Fund | Nonspendable Cemetery Trust Fund | Hubbard Park Trust Fund | Expendable Cemetery Trust Fund | Total |
|--|--------------------------------------|---|----------------------------------|---|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 3,965 | \$ - | \$ 297 | \$ - | \$ 4,262 |
| Investments | 99,981 | 928,204 | 20,102 | - | 1,048,287 |
| Due from other funds | - | - | - | 488,261 | 488,261 |
| TOTAL ASSETS | <u>\$ 103,946</u> | <u>\$ 928,204</u> | <u>\$ 20,399</u> | <u>\$ 488,261</u> | <u>\$ 1,540,810</u> |
| LIABILITIES | | | | | |
| Due to other funds | - | 487,045 | 2,336 | - | \$ 489,381 |
| TOTAL LIABILITIES | <u>-</u> | <u>487,045</u> | <u>2,336</u> | <u>-</u> | <u>489,381</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 103,946 | 441,159 | 18,063 | - | 563,168 |
| Restricted | - | - | - | 488,261 | 488,261 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>103,946</u> | <u>441,159</u> | <u>18,063</u> | <u>488,261</u> | <u>1,051,429</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 103,946</u> | <u>\$ 928,204</u> | <u>\$ 20,399</u> | <u>\$ 488,261</u> | <u>\$ 1,540,810</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | George Blanchard Trust Fund | Non-spendable Cemetery Trust Fund | Hubbard Park Trust Fund | Expendable Cemetery Trust Fund | Total |
|---|--------------------------------------|--|----------------------------------|---|---------------------|
| REVENUES | | | | | |
| Investment income, net of unrealized gains/(losses) | \$ 7,457 | \$ 58,022 | \$ 1,698 | \$ - | \$ 67,177 |
| TOTAL REVENUES | <u>7,457</u> | <u>58,022</u> | <u>1,698</u> | <u>-</u> | <u>67,177</u> |
| EXPENDITURES | | | | | |
| Other | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>7,457</u> | <u>58,022</u> | <u>1,698</u> | <u>-</u> | <u>67,177</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | 58,021 | 58,021 |
| Transfers (out) | - | (58,021) | - | - | (58,021) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(58,021)</u> | <u>-</u> | <u>58,021</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 7,457 | 1 | 1,698 | 58,021 | 67,177 |
| FUND BALANCES (DEFICITS) - JULY 1 | <u>96,489</u> | <u>441,158</u> | <u>16,365</u> | <u>430,240</u> | <u>984,252</u> |
| FUND BALANCES (DEFICITS) - JUNE 30 | <u>\$ 103,946</u> | <u>\$ 441,159</u> | <u>\$ 18,063</u> | <u>\$ 488,261</u> | <u>\$ 1,051,429</u> |

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2020

| | Land and Non-depreciable Assets | Buildings and Building Improvements | Equipment and Vehicles | Infrastructure | Total |
|--------------------------------|---------------------------------------|--|---------------------------|----------------|----------------|
| General Government | \$ 9,537,954 | \$ 2,987,026 | \$ 447,855 | \$ - | \$ 12,972,835 |
| Public Safety | 264,700 | 2,644,482 | 3,185,780 | - | 6,094,962 |
| Public Works | 15,870,215 | 1,431,336 | 3,696,849 | 23,078,845 | 44,077,245 |
| Culture and Recreation | 308,194 | 2,303,419 | 325,003 | - | 2,936,616 |
| Cemetery | - | - | 190,826 | - | 190,826 |
| Water | 410,283 | 11,557,678 | 1,059,619 | 13,151,412 | 26,178,992 |
| Sewer | 11,313,803 | 9,824,589 | 1,580,504 | 24,232,465 | 46,951,361 |
| Parking | 218,672 | - | 191,281 | 301,473 | 711,426 |
| District Heat | - | - | 174,234 | 9,473,951 | 9,648,185 |
| Total General Capital Assets | 37,923,821 | 30,748,530 | 10,851,951 | 70,238,146 | 149,762,448 |
| Less: Accumulated Depreciation | - | (12,328,871) | (7,118,044) | (28,083,013) | (47,529,928) |
| Net General Capital Assets | \$ 37,923,821 | \$ 18,419,659 | \$ 3,733,907 | \$ 42,155,133 | \$ 102,232,520 |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

| | General Capital Assets 7/1/19 | Additions | Deletions | General Capital Assets 6/30/20 |
|--------------------------------|--|----------------------|-------------------|---|
| General Government | \$ 11,041,811 | \$ 1,931,024 | \$ - | \$ 12,972,835 |
| Public Safety | 6,036,035 | 58,927 | - | 6,094,962 |
| Public Works | 40,905,391 | 3,220,807 | (48,953) | 44,077,245 |
| Culture and Recreation | 2,970,696 | - | (34,080) | 2,936,616 |
| Cemetery | 190,826 | - | - | 190,826 |
| Water | 25,733,584 | 445,408 | - | 26,178,992 |
| Sewer | 37,309,464 | 9,641,897 | - | 46,951,361 |
| Parking | 711,426 | - | - | 711,426 |
| District Heat | 9,648,185 | - | - | 9,648,185 |
| Total General Capital Assets | 134,547,418 | 15,298,063 | (83,033) | 149,762,448 |
| Less: Accumulated Depreciation | (44,539,896) | (3,064,797) | 74,765 | (47,529,928) |
| Net General Capital Assets | <u>\$ 90,007,522</u> | <u>\$ 12,233,266</u> | <u>\$ (8,268)</u> | <u>\$ 102,232,520</u> |

See accompanying independent auditors' report and notes to financial statements.

CITY OF MONTPELIER, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

| Federal Grantor Pass Through Grantor Program Title or Cluster | Federal CFDA Number | Pass Through Grantor Number | Federal Expenditures | Subrecipient Expenditures |
|---|---------------------------|-----------------------------------|-------------------------|------------------------------|
| U.S. Department of Agriculture: | | | | |
| Passed through Vermont Department of Forests, Parks and Recreation: | | | | |
| Cooperative Forestry Assistance | 10.664 | 06130-UCF-CFC-19-02 | \$ 2,000 | \$ - |
| Total U.S. Department of Agriculture | | | <u>2,000</u> | <u>-</u> |
| U.S. Department of Housing and Urban Development | | | | |
| Passed through Vermont Agency of Commerce and Community Development: | | | | |
| Community Development Block Grant - French Block | 14.228 | 07110-IG-2018 Montpelier C-00052 | 92,162 | 92,162 |
| Community Development Block Grant - Taylor Street | 14.228 | 07110-IG-2017 Montpelier C-00006 | 239,400 | 239,400 |
| Total U.S. Department of Housing and Urban Development | | | <u>331,562</u> | <u>331,562</u> |
| U.S. Department of Justice | | | | |
| Direct Programs: | | | | |
| Bulletproof Vest Partnership Program | 16.607 | OJP 15-04-0001 | 1,652 | - |
| Total U.S. Department of Justice | | | <u>1,652</u> | <u>-</u> |
| U.S. Department of Transportation | | | | |
| Passed through Vermont Agency of Transportation: | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Transportation Enhancement Project (Bike Path) | 20.205 | STP BIKE (33) S | 1,791,008 | - |
| FHWA - Highway Planning and Construction (Sidewalk Extension) | 20.205 | Montpelier TAP14 TA(7) | 130,009 | - |
| FHWA - Highway Planning and Construction (Bike/ Pedestrian Scoping Study) | 20.205 | Montpelier STP BP16(13) | 1,963 | - |
| Total Highway Planning and Construction Cluster | | | <u>1,922,980</u> | <u>-</u> |

CITY OF MONTPELIER, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

| Federal Grantor Pass Through Grantor Program Title or Cluster | Federal CFDA Number | Pass Through Grantor Number | Federal Expenditures | Subrecipient Expenditures |
|--|---------------------------|-----------------------------------|-------------------------|------------------------------|
| Federal Transit Cluster: | | | | |
| FTA - Multi-modal Trans. & Bike Path (Carr Lot) | 20.509 | VT-2019-002-00 & 01 | 1,453,704 | - |
| National Highway Traffic Safety Admin-2018 DUI Enforcement | 20.608 | 18X5201640VT11 | 4,327 | - |
| National Highway Traffic Safety Admin-2018 DUI Enforcement | 20.608 | 18X9205464VT15 | 934 | - |
| | | | <u>5,261</u> | <u>-</u> |
| Total U.S. Department of Transportation | | | <u>3,381,945</u> | <u>-</u> |
| U.S. Department of Environmental Protection Agency - Drinking Water Revolving Fund Passed through Vermont Department of Environmental Conservation: | | | | |
| Clean Water State Revolving Loan Cluster: | | | | |
| Vermont Clean Water State Revolving Loan Fund | 66.458 | RF1-192-3.0 | 14,757 | - |
| Total Clean Water State Revolving Loan Cluster | | | <u>14,757</u> | <u>-</u> |
| Drinking Water State Revolving Loan Fund Cluster: | | | | |
| Vermont Drinking Water Revolving Loan Fund | 66.468 | RF3-349-3.0 | 72,606 | - |
| Subtotal Drinking Water State Revolving Loan Fund Cluster | | | <u>72,606</u> | <u>-</u> |
| | | | <u>87,363</u> | <u>-</u> |
| Passed through New England Interstate Water Pollution Control Commission: | | | | |
| LCBP (Inventory & Assessment of Roof Drains) | 66.481 | L-2017-048 | 8,007 | - |
| LCBP (Chestnut Hill Stormwater Mitigation Design) | 66.481 | 12599 | 1,434 | - |
| | | | <u>9,441</u> | <u>-</u> |
| Total U.S. Department of Environmental Protection Agency | | | <u>96,804</u> | <u>-</u> |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$ 3,813,963</u> | <u>\$ 331,562</u> |

CITY OF MONTPELIER, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Montpelier, Vermont under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Montpelier, Vermont, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Montpelier, Vermont.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The City of Montpelier, Vermont has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



Proven Expertise & Integrity

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

City Council
City of Montpelier, Vermont
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Montpelier, Vermont, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise City of Montpelier, Vermont's basic financial statements and have issued our report thereon dated January 13, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Montpelier, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the City of Montpelier, Vermont in a separate letter dated January 13, 2021.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 13, 2021



Proven Expertise & Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council
City of Montpelier, Vermont
Montpelier, Vermont

Report on Compliance for Each Major Federal Program

We have audited City of Montpelier, Vermont's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Montpelier, Vermont's major federal programs for the year ended June 30, 2020. City of Montpelier, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Montpelier, Vermont's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Montpelier, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Montpelier, Vermont, complied in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City of Montpelier, Vermont is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Montpelier, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Montpelier, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance requirements of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 13, 2021

CITY OF MONTPELIER, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
In accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 20.205 | Highway Planning and Construction Cluster |

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None