Agenda for Special City Council Meeting

City Council Chambers, City Hall
***Thursday*, January 26, 2017**
6:30 P.M.

THIS MEETING IS BEING HELD ON A THURSDAY DUE TO THE STATUTORY REQUIREMENT THAT ACTION, ON SOME OF THE FOLLOWING AGENDA ITEMS, IS REQUIRED 40 DAYS PRIOR TO TOWN MEETING

1)		Call to Order by the Mayor
2)	17-031.	Review and Approve Agenda
3)	17-032.	General Business and Appearances
4)	17-033.	Consideration of the Consent Agenda: a) Approve Minutes from the January 11, 2017 Regular City Council Meeting b) Payroll and Bills
5)	17-034.	Conduct Second Public Hearing on Proposed FY18 Municipal Budget
6)	17-035.	Kellogg-Hubbard Library Presentation
7)	17-036.	School Board Budget Presentation
8)	17-037.	Receive FY16 Audit Report
9)	17-038.	Discussion re: Personnel Costs
10)	17-039.	Receive, review and approve any Petitions filed for inclusion on the March 7, 2017 Annual City Meeting Warning

11) 17-040. Conduct the Second Public Hearing on Warning for March 7, 2017 Annual City Meeting

12) 17-041. Council Reports
13) 17-042. Mayor's Report
14) 17-043. City Clerk's Report
15) 17-044. City Manager's Report

16) *Adjournment*

FOTHERGILL SEGALE & VALLEY
Certified Public Accountants

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

January 20, 2017

To the City Council
City of Montpelier, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 12, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of the useful lives of capital assets is based on historical experience and common practice. We evaluated the key factors and assumptions used to develop the estimated lives in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts is based on historical collections and evaluation of each individual account.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The uncorrected misstatements of the financial statements were due to prior and current year deferred property tax revenue not being booked due to availability of receivables. On the Governmental Activities, an additional uncorrected misstatement occurred due to an error related to capital outlays.

Management has determined, and we agree, that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

We proposed five adjustments to your financial statements which were accepted and recorded by management. None were material adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 20, 2017.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the pension related schedules presented on Schedule 3, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Montpelier, Vermont and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Fothergill Segale & Valley, CPAs

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

CITY OF MONTPELIER, VERMONT

FEDERAL COMPLIANCE

JUNE 30, 2016

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FOTHERGILL SEGALE & VALLEY
Certified Public Accountants

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

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

To the City Council
City of Montpelier
Montpelier, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

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

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

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

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

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

Purpose of this Report

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

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

January 20, 2017

FOTHERGILL SEGALE & VALLEY
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Montpelier
Montpelier, Vermont

Report on Compliance for Each Major Federal Program

We have audited the City of Montpelier, Vermont's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the City'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 of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 the City's internal control over compliance.

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

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Montpelier, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

Fothergill Segale & Valley CPAs

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

January 20, 2017

City of Montpelier, Vermont
Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2016

Federal Grant/Program Title	CFDA Number	Grant Number	Federal Grant Amount	Expenditures	Expenditures to Sub-recipients
U.S. Department of Agriculture & Forest Service					
2012 Hazardous Fuels Woody Biomass Utilization	10.674	12-DG-11420004-262	$ 248,556	$ 12,719	$ 0
Passed through Vermont Department of Forests, Parks & Recreation					
Cooperative Forestry Assistance - Tree Inventory	10.664	13-DG-11420004-091	5,000	5,000	0
Total US Department of Agriculture & Forest Service				17,719	0
US Department of Justice					
Second Chance Act Prisoner Reentry Initiative	16.812	2013-CZ-BX-0032	30,000	11,538	0
Bulletproof Vest Partnership Program	16.607	OJP 15-04-0001	1,795	715	0
Total US Department of Justice				12,253	0
US Department of Labor					
Passed through Vermont Department of Labor					
WIA Youth Activities	17.259	1533SEO04	6,024	6,024	0
Total US Department of Labor				6,024	0
US Department of Housing and Urban Development					
Passed through Vermont Agency of Commerce and Community Development					
Community Development Block Grant (CDBG)	14.228	B.13.DC.50.0001	560,000	555,492	550,000
Community Development Block Grant (CDBG)	14.228	B.13.DC.50.0001	22,875	15,257	15,257
Total US Department of Housing and Urban Development				570,749	565,257
US Department of Transportation					
Passed through Vermont Agency of Transportation					
FHWA-Transportation Enhancement Project (Carr Lot)	20.205	STP MMTC(3) & STP EH07(15)	5,344,250	106,480	0
Transportation Enhancement Project (Bike Path)	20.205	STP BIKE (33)S	3,243,200	47,832	0
FHWA-Highway Planning and Construction (Sidewalk Extension)	20.205	Montpelier TAP14 TA(7)	248,000	6,925	0
FHWA- Transportation Enhancement Project	20.205	STP EH08(08)	60,000	475	0
Subtotal 20.205 cluster				161,712	0
FTA -Welcome & Multi-modal Trans. Center (Carr Lot)	20.500	FTA G-11,October 1, 2004	1,967,357	9,348	0
Total Passed through Vermont Agency of Transportation				171,060	0
National Highway Traffic Safety Admin-2015 DUI Enforcement	20.608	02140-1115-5128	4,800	597	0
National Highway Traffic Safety Admin-2016 DUI Enforcement	20.608	18X5201640VT11	14,000	2,870	0
Subtotal 20.608 cluster				3,467	0
National Highway Traffic Safety Admin-2016 OP Enforcement	20.600	18X9204020VT14	5,000	1,012	0
National Highway Traffic Safety Admin-2015 Equipment Incentives	20.600	02140-1415-2022	5,000	5,000	0
Subtotal 20.600 cluster				6,012	0
Total Passed through Vermont Department of Public Safety				9,479	0
Total US Department of Transportation				180,539	0
Total Expenditures of Federal Awards				$ 787,284	$ 565,257

See Notes to Schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2016

NOTE 1 - GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

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

NOTE 3 – INDIRECT COST RATE

The City of Montpelier, Vermont has elected to use the 10% de minis cost rate as allowed under the Uniform Guidance.

CITY OF MONTPELIER, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on all opinion units on the basic financial statements of the City of Montpelier.

2. No material weaknesses were disclosed during the audit of the financial statements, as reported in Part B of this Schedule.

3. No instances of noncompliance material to the basic financial statements of the City of Montpelier, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit, as reported in Part C of this Schedule.

5. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion.

6. There are no audit findings that are required to be reported in accordance with *Government Auditing Standards* and 2 CFR section 200.516(a) of Uniform Guidance.

7. The program tested as a major programs includes:

   Community Development Block Grants CFDA # 14.228

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The City of Montpelier, Vermont was determined not to be a low-risk auditee.

B. Findings – Financial Statements Audit

None

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

None

CITY OF MONTPELIER, VERMONT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2016

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FOTHERGILL SEGALE & VALLEY
Certified Public Accountants

John E. (Jeff) Fothergill, CPA
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Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montpelier, Vermont as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budget comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on page 3 -12 and Schedule 3 pension related information on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

January 20, 2017

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

Financial Highlights

Government-Wide Statements

During fiscal year 2016, the City's total net position increased by $946,693 or 1.85%, as a result of this year's operations. The total net position of the governmental activities increased by $608,452 or 2.55% and the total net position of the business-type activities increased by $338,241 or 1.24%. The increase in the governmental activities is the result of capital grants invested in infrastructure of $511,274 and an excess of charges for services, operating grants, property tax and other revenues over program expenses of $97,178. The increase in the business-type activities is largely the result of charges for services revenue being higher than program expenses and transfers out by $301,150, a gain on equipment sales of $21,100, investment earnings of $3,272 and District Heat operating grant revenue of $12,719.

Total revenue for all the City's programs increased by $1,088,678 ($19,470,282 in 2015 to $20,558,960 in 2016), which is a 5.59% increase from the previous year. The cost of all of the City's programs increased by $1,359,277 ($18,252,990 in 2015 to $19,612,267 in 2016), which is 7.45% higher than the previous year. The revenue increases are primarily due to an increase in governmental operating grants and contributions of $707,301, (most notably, the Community Development Fund Barre Street Apartments and Another Way pass-through grants totaling $565,257), and an increase in business-type charges for service revenues of $256,666. The increases in the cost of City programs are primarily due to the pass-through Community Development grant expense of $565,257, public safety expense increases of $376,238, general government expense increases of $153,153, sewer fund expense increases of $136,113 and district heat expense increases of $122,973.

Fund Statements

The General Fund balances totaled $1,158,970 as of June 30, 2016 which is a decrease of $199,722 from the prior year fund balance. The fund balances that are nonspendable, restricted, and committed totaled $380,478 as of June 30, 2016, which is a decrease of $76,171, primarily due to lower nonspendable (inventory and prepaids) of $32,640 and lower committed of $46,555 due to the payoff of a note receivable. These fund balances are either nonspendable or have spending constraints placed on the purposes for which they can be used. This leaves an unassigned fund balance of $778,492 which is $123,531 lower than the prior year's unassigned fund balance of $902,023.

The Community Development Fund ended the year with a restricted and committed fund balance of $502,768, which was $24,255 higher than the prior year fund balance of $478,513. This fund balance is reserved by various sources for Community Development programs and activities.

The Capital Projects Fund ended the year with a fund balance of $1,715,202 which was $37,330 higher than the prior year fund balance of $1,677,872. The fund balance consists of $736,334 which is restricted by bonding constraints and impact fee ordinances and $1,087,101 which are committed for various capital improvement projects (including $250,000 for unidentified projects). The remaining fund balance of ($108,233) is classified as a negative unassigned fund balance and is the result of $58,445 of grant funds which were spent but not recognized as revenue because they were not collected within six (6) months after year-end and $49,788 of overspend projects which will be funded by future appropriations.

Other nonmajor governmental funds ended the year with a fund balance of $1,624,317, which was $89,843 higher than the prior year fund balance of $1,534,474. The increase is primarily due to an estate donation of $105,192 to the senior center fund which is classified as an extraordinary item. The ending fund balance consists of $497,644 Non-Expendable by Trust Agreements, $524,596 restricted and $602,077 committed.

The Water Fund ended the 2016 fiscal year with a net position of $9,586,975 which was $415,022 more than the prior year balance of $9,171,953. Of the total net position balance, $9,579,992 is invested in property and equipment. This leaves an unrestricted fund balance of $6,983 which is $381,110 higher than the unrestricted deficit of ($374,127) in the prior year.

The Sewer Fund ended the year with a net position of $12,190,201, which was $152,655 higher than the prior year balance of $12,037,546. Of the total net position balance, $12,024,243 is invested in property and equipment. This leaves an unrestricted net position balance of $165,958, which is $93,752 lower than the previous year.

The Parking Fund ended the year with net position of $404,553, which was $89,395 higher than the prior year balance of $315,158. Of the total net position balance, $311,629 is invested in property and equipment and $2,417 is restricted for various projects. This leaves an unrestricted fund balance of $90,507 which is $109,093 higher than the unrestricted deficit of ($18,586) in the prior year.

The District Heat Fund ended the year with net position of $5,408,922, which was $318,831 lower than the prior year balance of $5,727,753. Of the total net position balance, $5,435,926 is invested in property and equipment. This leaves an unrestricted fund deficit of ($27,004) which is $63,563 higher than the unrestricted deficit of ($90,567) in the prior year.

Using This Annual Report

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

Reporting the City as a Whole

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

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

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

Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, parking and district heat activities are reported here.

Reporting the City's Most Significant Funds

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

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Financial Position and the Statement of Activities) and governmental funds on the exhibits that follow each financial statement. The City's main governmental fund is the General Fund. The Community Development Fund, the Capital Projects Fund and Other Nonmajor Governmental Funds are included in the governmental funds financial statements and schedules.

Proprietary funds - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Financial Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City has four proprietary funds; the Water Fund, the Sewer Fund, the Parking Fund and the District Heat Fund.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* entries are recorded on the proprietary fund statements but not on the City's governmental fund statements.

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

The City as a Whole

The City's combined net position increased by $946,693 from a year ago - increasing from $51,087,608 to $52,034,301. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1

Net Position

	June 30, 2016			*June 30, 2015*		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	$ 6,960,437	$ 1,087,800	$ 8,048,237	$ 7,410,445	$ 787,107	$ 8,197,552
Capital assets	26,865,794	41,912,261	68,778,055	26,048,279	43,143,946	69,192,225
Total assets	33,826,231	43,000,061	76,826,292	33,458,724	43,931,053	77,389,777
Deferred outflows	1,099,314	287,177	1,386,491	305,984	90,993	396,977
Total assets and deferred outflows	34,925,545	43,287,238	78,212,783	33,764,708	44,022,046	77,786,754
Long term liabilities	7,866,465	14,902,438	22,768,903	8,229,740	16,121,345	24,351,085
Net pension liability	1,735,965	453,489	2,189,454	209,857	62,406	272,263
Other liabilities	798,889	319,611	1,118,500	782,261	375,444	1,157,705
Total liabilities	10,401,319	15,675,538	26,076,857	9,221,858	16,559,195	25,781,053
Deferred inflows	80,576	21,049	101,625	707,652	210,441	918,093
Total liabilities and deferred inflows	10,481,895	15,696,587	26,178,482	9,929,510	16,769,636	26,699,146
Net position:						
Invested in capital assets, net of debt	22,943,649	27,351,790	50,295,439	22,127,271	27,473,563	49,600,834
Restricted	2,453,987	2,417	2,456,404	2,439,577	2,417	2,441,994
Unrestricted	(953,986)	236,444	(717,542)	(731,650)	(223,570)	(955,220)
Total net position	$ 24,443,650	$ 27,590,651	$ 52,034,301	$ 23,835,198	$ 27,252,410	$ 51,087,608

Table 2

Change in Net Position

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
REVENUES:						
Program revenues:						
Charges for services	$ 1,045,762	$ 8,015,775	$ 9,061,537	$ 1,158,816	$ 7,759,109	$ 8,917,925
Operating grants and contributions	1,740,050	12,719	1,752,769	1,032,749	0	1,032,749
Capital grants and contributions	511,274	0	511,274	401,769	34,308	436,077
General Revenues:						
Property taxes, penalties and interest	8,203,121	0	8,203,121	7,908,336	0	7,908,336
Payment in lieu of taxes	842,804	0	842,804	887,165	0	887,165
Unrestricted investment earnings	82,119	3,272	85,391	129,012	3,396	132,408
Gain (loss) on sale of capital assets	30,855	21,100	51,955	83,207	4,284	87,491
Other revenues	42,549	0	42,549	59,971	0	59,971
Contributions to permanent endow ments	7,560	0	7,560	8,160	0	8,160
Total revenues	12,506,094	8,052,866	20,558,960	11,669,185	7,801,097	19,470,282
PROGRAM EXPENSES:						
General government	1,998,401	0	1,998,401	1,845,248	0	1,845,248
Public safely	5,142,466	0	5,142,466	4,766,228	0	4,766,228
Public w orks	2,624,148	0	2,624,148	2,644,934	0	2,644,934
Culture and recreation	1,127,356	0	1,127,356	1,067,276	0	1,067,276
Community development	592,138	0	592,138	4,138	0	4,138
Cemetery	214,176	0	214,176	214,862	0	214,862
Interest on long-term debt	208,957	0	208,957	236,553	0	236,553
Water	0	2,393,996	2,393,996	0	2,420,023	2,420,023
Sew er	0	3,751,387	3,751,387	0	3,615,274	3,615,274
Parking	0	759,563	759,563	0	761,748	761,748
District Heat	0	799,679	799,679	0	676,706	676,706
Total program expenses	11,907,642	7,704,625	19,612,267	10,779,239	7,473,751	18,252,990
Excess before extraordinary item and transfers	598,452	348,241	946,693	889,946	327,346	1,217,292
Transfers	10,000	(10,000)	0	22,000	(22,000)	0
Increase in net position before extraordinary item	608,452	338,241	946,693	911,946	305,346	1,217,292
Extraordinary item:						
Estate donation	0	0	0	455,192	0	455,192
Increase in net position	$ 608,452	$ 338,241	$ 946,693	$ 1,367,138	$ 305,346	$ 1,672,484

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

The total net position of the City's governmental activities increased $608,452 or 2.55%. This increase is the result of a capital grants of $511,274 invested in infrastructure and $97,178 excess of all other revenues over program expenses.

The total net position of the business-type activities increased by $338,241 or 1.24%. This increase is due to charges for services revenue being higher than program expenses and transfers out by $301,150, a gain on equipment sales of $21,100, investment earnings of $3,272 and a District Heat operating grant of $12,719.

Governmental Activities

The City's tax rate increased from $0.9012 to $0.9285 per $100 of assessed value (up 3.03%) from fiscal year 2015 to fiscal year 2016.

Table 3 presents the cost of each of the City's eight largest programs - general government, public safety, public works, culture and recreation, community development, water, sewer, parking and district heat - as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3

Costs of Programs

	June 30, 2016				June 30, 2015			
	Governmental Activities		Business-type Activities		Governmental Activities		Business-type Activities	
	Total Cost of Services	Net Revenues (Cost) of Services	Total Cost of Services	Net (Cost) of Services	Total Cost of Services	Net Revenues (Cost) of Services	Total Cost of Services	Net (Cost) of Services
General government	$ 1,998,401	$ (1,495,829)	$ 0	$ 0	$ 1,845,248	$ (1,403,091)	$ 0	$ 0
Public safely	5,142,466	(4,190,001)	0	0	4,766,228	(3,599,865)	0	0
Public w orks	2,624,148	(1,713,432)	0	0	2,644,934	(2,057,826)	0	0
Culture and recreation	1,127,356	(815,183)	0	0	1,067,276	(718,987)	0	0
Community development	592,138	(16,552)	0	0	4,138	(4,138)	0	0
Water	0	0	2,393,996	397,055	0	0	2,420,023	198,332
Sew er	0	0	3,751,387	146,250	0	0	3,615,274	209,309
Parking	0	0	759,563	99,395	0	0	761,748	84,392
District Heat	0	0	799,679	(318,831)	0	0	676,706	(172,367)
All others	423,133	(379,559)	0	0	451,415	(401,998)	0	0
Totals	$ 11,907,642	$ (8,610,556)	$ 7,704,625	$ 323,869	$ 10,779,239	$ (8,185,905)	$ 7,473,751	$ 319,666

The City's Funds

As the City completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of $5,001,257 which is $48,294 lower than last year's total of $5,049,551. Included in this year's total change in fund balance are a decrease of $199,722 in the City's General Fund; an increase of $24,255 in the Community Development Fund; an increase of $37,330 in the Capital Projects Fund and an increase of $89,843 in Other Governmental Funds.

General Fund Budgetary Highlights

When comparing budget to actual net change in fund balance for the year ended June 30, 2016, there is an unfavorable variance of $199,722 (as presented in Exhibit F). Operating revenues less operating expenditures are unfavorable by $160,957. Transfers to other funds are unfavorable by $38,765 due to an unbudgeted transfer to the Capital Projects Fund for the unfinanced portion of a new ambulance.

Revenue (excluding transfers noted above) is $5,025 more than budgeted. Although there are many variances in many revenue line items, overall, this additional revenue is unbudgeted grant funds of $134,917 received for public safety operations, offset by the following revenues that came in below budget: fees and charge for services of $113,350 and property taxes (pilot) of $16,542. The fees and services revenue lines were ambulance under by $48,674, recording fees under by $20,231 and Connor note reserve under by $46,555 due to this being in the budget but the note was paid off early in the prior year.

Expenditures in the general fund are over budget by $165,982. Similar to revenue, a significant amount of the unbudgeted expenditures is related to police operations funded mostly by federal grant funds (police outside pay over by $118,720). Some other significant expenditures over budget are; city manager's office $138,672 of which $114,490 is legal expense due to former employee case, police general $51,343 and police communications $36,464 (salary & O.T.), downtown improvement district expenditures $31,517 (offset by downtown improvement taxes) and Council or City Manager approved use of fund balance $66,996. Significant favorable expense variations which help offset the overages in expenditures are $16,429 Community Justice Center expenses (re-entry client housing), $41,768 finance expenses (salary & health insurance), $70,561 public works streets (salt under by $100,000), and $149,106 public works fleet operations (gasoline prices).

Employee health insurance costs across departments are $104,036 lower than budgeted and $119,700 in funds are set aside (committed) for possible, future health reimbursement arrangement overages.

The unassigned fund balance decreased from $902,023 on June 30, 2015 to $778,492 on June 30, 2016. This $123,531 decrease is mainly due to the overall decrease in fund balance of $199,722 (Exhibit D) offset by the decrease in nonspendable items by $32,640 (inventories and prepaid expenses) and the decrease in committed items by $46,555 (note receivable payoff). The City of Montpelier's Fund Balance Policy sets a long-term goal of an Unassigned Fund Balance that is 15% of budgeted General Fund Expenditures. The unassigned fund balance at June 30, 2015 was at 60% of the 15% goal and at June 30, 2016 was at 50% of the 15% goal, a decrease of 10%.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the City has $68,778,055 compared to $69,192,225 at June 30, 2015 invested in a broad range of capital assets, including police, fire, and department of public works equipment, buildings, park facilities, roads, bridges, water, sewer, district heat lines. (See Table 4 below) This amount represents a net decrease of $414,170 over last year. Governmental net capital assets increased by $817,515 ($2,259,826 additions less $119,895 deletions and $1,322,416 accumulated depreciation) and business net capital assets decreased by $1,231,685 ($345,445 additions less $15,200 deletions and $1,561,930 accumulated depreciation).

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

	June 30, 2016			*June 30, 2015*		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Land	$ 2,762,937	$ 250,672	$ 3,013,609	$ 2,762,937	$ 250,672	$ 3,013,609
Capital improvements and equipment	22,175,213	41,604,810	63,780,023	21,603,275	42,846,146	64,449,421
Construction in progress	1,927,644	56,779	1,984,423	1,682,067	47,128	1,729,195
Totals	$ 26,865,794	$ 41,912,261	$ 68,778,055	$ 26,048,279	$ 43,143,946	$ 69,192,225

This year's capital asset additions are:

City Website setup	$	14,714
33 Downtown trash receptacles		14,153
Police-4 Solar Speed Signs		15,123
Police-dispatch consoles, furniture & upgrade phone system		78,145
Police-2016 Impala		23,141
Police-DVR systems w/video server and rack		10,709
Fire - Ambulance		180,765
DPW-Fuel Pump Upgrade -CIP		16,537
DPW-2006 International 4300 Truck		8,000
DPW-2016 International 7400 Truck		74,373
DPW-Trackless MT6 Sidewalk Tractor		99,320
DPW -Snowblower 225 hp 2 stage		100,250
DPW-2016 F550 4wd Truck		46,114
DPW-2015 Silverado		25,201
DPW-9ft Dump Body w/hoist,spreader,plow		23,300
DPW - Tenco dump body,plow,wing and hitch		59,951
Infrastructure-Streets & Streets CIP		536,683
Infrastructure-Sidewalks & Sidewalks CIP		131,062
Infrastructure-Bridges -Rialto Bridge		69,870
Infrastructure-Bridges -Cummings and Spring Streets-CIP		167,464
Infrastructure- Culvert-Terrace Street		300,541
Infrastructure- Culvert-Bailey Avenue		21,530
Infrastructure- Storm Drain-Mechanic Street		10,355
Infrastructure-Retaining Walls-East State & Taylor Street		34,450
Infrastructure-CV Bike Path-CIP		59,171
Infrastructure-Carr Lot Transit Center-CIP		11,685
Infrastructure-Carr Lot Bike Path-CIP		127,219
Water-2016 Int'l 7400 Truck Cab & Chassis/Dump Body-1/2		42,129
Water -Distribution line work-Blackwell & Gaylord Street		43,420
Water -Water Main -Northfield Street-CIP		9,486
Water - Main Street Valve Project -CIP		6,000
Sewer-2015 Silverado 1500		23,932
Sewer-2016 Int'l 7400 Truck Cab & Chassis/Dump Body-1/2		42,129
Sewer -Secondary Clarifier-Conduits,Controls		29,207
Sewer-WWRRF Equipment Improvements-CIP		1,232
Sewer-Sewer Line North Street		37,514
Sewer-East State Street CSO Project-CIP		7,733
Sewer-Sewer Main-Northfield Street -CIP		7,028
Sewer-WW Methane Burner		36,501
Sewer-WW Methane Heat Exchanger/Boiler -CIP		25,299
Sewer-Storm Drainage Improvements		30,000
District Heat M&E -Communications Database		3,835
	$	2,605,271

Long Term - Debt

At June 30, 2016, the City has $22,286,303 in bonds, notes and leases outstanding versus $23,890,227 on June 30, 2015 - a decrease of $1,603,924 - as shown in Table 5.

Table 5

Outstanding Debt at Year-End

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016
Notes, capital leases and bonds payable:				
Governmental activities	$ 7,879,143	$ 142,000	$ 540,163	$ 7,480,980
Proprietary Funds	16,011,084	0	1,205,761	14,805,323
Totals	$ 23,890,227	$ 142,000	$ 1,745,924	$ 22,286,303

The new long term debt in the Governmental activities during the year was a note payable to Merchants Bank for the purchase of a new ambulance.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider economic factors and the community's priorities when setting the fiscal year 2017 budget, property tax rates, and fees that will be charged for the business-type activities.

Economic factors considered include the unemployment in the City, which stood at 3.2% (August 2015) compared with 3.7% (August 2014). Also considered was the Consumer Price Index percent change over one year (August 2014-August 2015) which was .2%. Montpelier's Vermont Personal Adjusted Gross Income in 2014 was $61,245 (up 5%) which is higher than the Vermont average of $59,955. Montpelier's estimated median house or condo value in 2015 was $228,861 (up 7.5%) which is higher than the Vermont average of $224,246. The City's population is 7,671 with slight decreases over the past few years.

In recent years, the City of Montpelier's budgets contained no appreciable annual revenue growth or increase in taxable property. Costs continue to increase annually and demands for services often are expanded. The combination of a slow-growing economy, little growth in the grand list and Montpelier's relatively high property tax rates, has resulted in a council goal to produce budgets with tax rate increases at or below inflation. The 2017 municipal budget provides for an increase 2.9% above the change in the consumer price index, with additional revenues dedicated to infrastructure investments and the continued study for a regional public safety authority.

The City Council is committed to making Montpelier affordable for all its residents and at the same time invest in the city's infrastructure. The City Council is in the fourth year of a multi-year capital plan to rebuild and improve the city's roads and sidewalks. The FY17 municipal budget requires a 3.1 cent tax rate increase which, at 3.1% is higher than the .2% inflation rate for 2016. The municipal tax rate for fiscal year 2017 is $1.0307 per $100 of property value.

The City continues to partner with federal and state agencies to study flood mitigation measures to alleviate the threat of damages due to ice-jam flooding of the Winooski River in the downtown area. The installation of flood gauges and a recent flood mitigation project reduces the risk of future flood events. The City also is moving ahead with two other grant-funded projects; a new transit center on Taylor Street and a bike path through the city.

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

As for the City's business-type activities, Both the Water and Sewer Funds have recently overcome previous years' deficits. Looking ahead, a new 50-year master plan has been developed for both the water and sewer utilities. This new capital improvement plan projects utility rate revenues that will allow the City to replace its underground water and sewer pipes, upgrade the wastewater treatment plant, and provide adequate fire flow protection for city residents. Both funds continue to be challenged by the combination of users' water conservation and the lack of growth in numbers of users. The Water and Sewer Rate Committee has grant funds to help study a new rate structure that will be fair and defendable to their users and assures annual revenues will be generated to cover all costs. The 2015-16 heating season was the second full year of complete operation for the City's District Heat utility which partners with the state's bio-mass heating plant. This new business-type activity reduces the City's reliance on fossil fuels. Parking fees were increased substantially in early 2014, to secure financial stability for the Parking Fund, and to provide funding for alternative transportation initiatives. Within the next few years, the City will be establishing a stormwater management utility to comply with emerging, new state regulations.

Current quarterly water rates are as follows: $7.88 per 1,000 for the first 50,000 gallons, $8.40 per 1,000 for the next 200,000 gallons, $13.32 per 1,000 for over $250,000 gallons and a fixed charge for all accounts for meter reading, billing and other administrative service costs of $47.00.

Current quarterly sewer rates are as follows: $9.06 per 1,000 gallons of water used and a fixed charge for all for meter reading, billing and other administrative service costs of $47.00.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Office at the City of Montpelier, 39 Main Street, Suite 6, Montpelier, VT 05602.

Exhibit A

CITY OF MONTPELIER, VERMONT

Statement of Net Position

June 30, 2016

		Governmental Activities		Business-type Activities		Total
Assets:						
Cash	$	3,153,493	$	50	$	3,153,543
Investments		1,449,132		0		1,449,132
Receivables (net of allowance for uncollectibles)		525,222		1,507,315		2,032,537
Loans receivable		1,038,248		0		1,038,248
Deposits		0		1,600		1,600
Prepaid expenses		20,998		21,337		42,335
Inventories		139,320		191,522		330,842
Internal balances		634,024		(634,024)		0
Capital assets:						
Land		2,762,937		250,672		3,013,609
Construction in progress		1,927,644		56,779		1,984,423
Other capital assets, (net of accumulated depreciation)		22,175,213		41,604,810		63,780,023
Total assets		33,826,231		43,000,061		76,826,292
Deferred outflow of Resources:						
Pension related		1,099,314		287,177		1,386,491
Total assets plus deferred outflows of resources		34,925,545		43,287,238		78,212,783
Liabilities:						
Accounts payable		557,636		159,710		717,346
Construction payable		0		27,780		27,780
Accrued payroll and related expenses		93,297		16,826		110,123
Unearned grant revenue		73,312		0		73,312
Unearned fees and charges for services revenue		33,584		69,290		102,874
Accrued interest		41,060		46,005		87,065
Net pension liability		1,735,965		453,489		2,189,454
Noncurrent liabilities:						
Due within one year		576,192		1,237,322		1,813,514
Due in more than one year		7,290,273		13,665,116		20,955,389
Total liabilities		10,401,319		15,675,538		26,076,857
Deferred inflow of Resources:						
Pension related		80,576		21,049		101,625
Total liabilities plus deferred inflows of resources		10,481,895		15,696,587		26,178,482
Net position:						
Invested in capital assets, net of related debt		22,943,649		27,351,790		50,295,439
Restricted		2,453,987		2,417		2,456,404
Unrestricted		(953,986)		236,444		(717,542)
Total net position	$	24,443,650	$	27,590,651	$	52,034,301

See accompanying notes to financial statements.

Exhibit B

CITY OF MONTPELIER, VERMONT
Statement of Activities
Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 1,998,401	$ 197,064	$ 305,508	$ 0	$ (1,495,829)	$ 0	$ (1,495,829)
Public safety	5,142,466	511,868	440,597	0	(4,190,001)	0	(4,190,001)
Public works	2,624,148	174,403	278,132	458,181	(1,713,432)	0	(1,713,432)
Culture and recreation	1,127,356	118,853	140,227	53,093	(815,183)	0	(815,183)
Community development	592,138	0	575,586	0	(16,552)	0	(16,552)
Cemetery	214,176	43,574	0	0	(170,602)	0	(170,602)
Interest on long-term debt	208,957	0	0	0	(208,957)	0	(208,957)
Total governmental activities	11,907,642	1,045,762	1,740,050	511,274	(8,610,556)	0	(8,610,556)
Business-type activities:							
Water	2,393,996	2,791,051	0	0	0	397,055	397,055
Sewer	3,751,387	3,897,637	0	0	0	146,250	146,250
Parking	759,563	858,958	0	0	0	99,395	99,395
District Heat	799,679	468,129	12,719	0	0	(318,831)	(318,831)
Total business-type activities	7,704,625	8,015,775	12,719	0	0	323,869	323,869
Total	$ 19,612,267	$ 9,061,537	$ 1,752,769	$ 511,274	(8,610,556)	323,869	(8,286,687)
General revenues:							
Property taxes, penalties and interest					8,203,121	0	8,203,121
Payment in lieu of taxes					842,804	0	842,804
Unrestricted investment earnings					82,119	3,272	85,391
Gain (loss) on sale of equipment					30,855	21,100	51,955
Other revenues					42,549	0	42,549
Contributions to Permanent Endowments					7,560	0	7,560
Transfers					10,000	(10,000)	0
Total general revenues and transfers					9,219,008	14,372	9,233,380
Change in net position					608,452	338,241	946,693
Net Position - July 1, 2015					23,835,198	27,252,410	51,087,608
Net Position - June 30, 2016					$ 24,443,650	$ 27,590,651	$ 52,034,301

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Balance Sheet and Reconciliation to the Statement of Net Position
Governmental Funds
June 30, 2016

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash	$ 2,704,502	$ 377,298	$ 0	$ 71,693	$ 3,153,493
Investments	0	0	0	1,449,132	1,449,132
Receivables (net of allowance for uncollectibles)	366,692	5,492	139,348	13,690	525,222
Interfund loans receivable	0	144,760	0	0	144,760
Loans (net of allowance for uncollectibles)	0	709,248	0	329,000	1,038,248
Prepaid expenses	17,755	0	0	3,243	20,998
Inventories	139,320	0	0	0	139,320
Due from other funds	0	0	1,685,849	709,098	2,394,947
Total assets	$ 3,228,269	$ 1,236,798	$ 1,825,197	$ 2,575,856	$ 8,866,120
Liabilities, deferred inflows of resources, and fund balances					
Liabilities:					
Accounts payable	$ 463,839	$ 13,798	$ 51,550	$ 28,449	$ 557,636
Accrued payroll and related expenses	86,493	0	0	6,804	93,297
Unearned grants	41,645	0	0	31,667	73,312
Unearned fees and charges for services	9,068	0	0	24,516	33,584
Interfund loans payable	0	0	0	144,760	144,760
Due to other funds	1,369,088	5,492	0	386,343	1,760,923
Total liabilities	1,970,133	19,290	51,550	622,539	2,663,512
Deferred inflows of resources:					
Unavailable revenue -taxes	99,166	0	0	0	99,166
Unavailable revenue -grants	0	5,492	58,445	0	63,937
Unavailable revenue-loans receivable	0	709,248	0	329,000	1,038,248
Total deferred inflows of resources	99,166	714,740	58,445	329,000	1,201,351
Fund balances (deficit):					
Nonspendable for:					
Inventories	139,320	0	0	0	139,320
Prepaids	17,755	0	0	0	17,755
Trustees of public funds	0	0	0	497,644	497,644
Restricted, reported in:					
General Fund	88,495	0	0	0	88,495
Community Development Fund	0	305,007	0	0	305,007
Capital Projects Funds	0	0	736,334	0	736,334
Special Revenue Funds	0	0	0	130,378	130,378
Trustees of public funds	0	0	0	394,218	394,218
Committed, reported in:					
General Fund	134,908	0	0	0	134,908
Community Development Fund	0	197,761	0	0	197,761
Capital Projects Funds	0	0	1,087,101	0	1,087,101
Special Revenue Funds	0	0	0	602,077	602,077
Unassigned, reported in:					
General Fund	778,492	0	0	0	778,492
Capital Projects Fund	0	0	(108,233)	0	(108,233)
Total fund balances	1,158,970	502,768	1,715,202	1,624,317	5,001,257
Total liabilities, deferred inflows of resources, and fund balances	$ 3,228,269	$ 1,236,798	$ 1,825,197	$ 2,575,856	

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.	26,865,794
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	1,201,351
Some liabilities, such as net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the funds	(1,735,965)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	1,018,738
Long-term and accrued liabilities, are not due or payable in the current period and, therefore, are not reported in the funds.	(7,907,525)
Net position of governmental activities	$ 24,443,650

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, penalties and interest	$ 8,856,133	$ 0	$ 0	$ 0	$ 8,856,133
Permits and licenses	95,174	0	0	0	95,174
Intergovernmental	1,156,948	565,257	722,639	6,024	2,450,868
Fees and charges for services	1,728,994	0	0	167,237	1,896,231
Fines and forfeitures	17,246	0	0	0	17,246
Investment income	45,717	9,422	0	26,980	82,119
Contributions	2,250	0	0	128,953	131,203
Rents and commissions	300	0	92,358	19,379	112,037
Equipment revenues	73,934	0	0	0	73,934
Loan principal repayments	0	51,864	0	35,000	86,864
Other revenues	26,955	0	3,209	12,385	42,549
Total revenues	12,003,651	626,543	818,206	395,958	13,844,358
Expenditures:					
Current					
General government	2,596,063	0	51,560	0	2,647,623
Public safety	4,833,142	0	17,165	0	4,850,307
Public works	1,789,613	0	120,901	0	1,910,514
Culture and recreation	497,232	0	0	579,651	1,076,883
Community development	0	602,288	0	90,050	692,338
Cemetery	0	0	0	200,903	200,903
Capital outlay;					
General government	14,714	0	14,153	0	28,867
Public safety	0	0	307,883	0	307,883
Public works	0	0	1,698,642	0	1,698,642
Culture and recreation	0	0	0	0	0
Debt service - principal	540,163	0	0	0	540,163
Debt service - interest	197,467	0	0	11,714	209,181
Total expenditures	10,468,394	602,288	2,210,304	882,318	14,163,304
Excess (deficiency) of revenues over expenditures	1,535,257	24,255	(1,392,098)	(486,360)	(318,946)
Other financing sources (uses):					
Proceeds from debt	0	0	142,000	0	142,000
Proceeds from sale of equipment	0	0	8,018	0	8,018
Capital contribution	0	0	5,442	0	5,442
Transfers from other funds	88,200	0	1,362,168	511,889	1,962,257
Transfers to other funds	(1,823,179)	0	(88,200)	(40,878)	(1,952,257)
Total other financing sources (uses)	(1,734,979)	0	1,429,428	471,011	165,460
Extraordinary item:					
Estate donation	0	0	0	105,192	105,192
Net change in fund balances	(199,722)	24,255	37,330	89,843	(48,294)
Fund balances - July 1, 2015	1,358,692	478,513	1,677,872	1,534,474	5,049,551
Fund balances - June 30, 2016	$ 1,158,970	$ 502,768	$ 1,715,202	$ 1,624,317	$ 5,001,257

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances,
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total government funds (Exhibit D)	$	(48,294)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost less disposals ($2,259,826) of those assets is allocated over their estimated useful lives and reported as depreciation expense ($1,322,416). This is the amount by which capital outlays exceeded depreciation in the current period.		937,410
The net effect of various transactions involving capital assets (net book value of capital assets sold or traded $42,413 plus cancelled CIP project expensed $77,482) is to decrease net position.		(119,895)
Long term community development loans payments are recognized on an accrual basis in the statement of net position, not the modified accrual basis.		18,173
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.		5,792
Revenues related to fees, grants and contributions are recognized on an accrual basis in the statement of net position, not the modified accrual basis.		(442,531)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		(105,702)
The issuance of long-term debt ($142,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt ($540,163) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		398,163
In the statement of activities, accrued compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(34,888)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		224
Change in net position, governmental activities (Exhibit B)	$	608,452

To eliminate the doubling up of internal service charges between the Governmental Activities and the Business-type activities on the statement of activities, the charges for services was decreased by $1,120,171, the general government expenses was decreased by $827,312 and the public works was decreased by $292,859.

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes, penalties and interest	$ 8,872,675	$ 8,856,133	$ (16,542)
Intergovernmental	1,022,031	1,156,948	134,917
Fees and charges for services	2,103,920	1,990,570	(113,350)
Total revenues	11,998,626	12,003,651	5,025
Expenditures:			
City Council operations	35,644	29,915	5,729
City Manager's office	420,148	558,820	(138,672)
Clerk/Treasurer/Elections	179,874	182,022	(2,148)
Finance Department	476,180	434,412	41,768
Technology services	245,452	241,104	4,348
Property assessment	186,368	175,877	10,491
Planning and development	360,434	360,312	122
City Hall maintenance	212,970	208,764	4,206
Police:			
General	1,730,372	1,781,715	(51,343)
Communications	590,187	626,651	(36,464)
Outside Pay	0	118,720	(118,720)
School Resource Officer	97,694	95,333	2,361
Community Justice Center	122,567	128,667	(6,100)
Re-Entry Program	150,788	128,259	22,529
Fire and ambulance	1,840,860	1,857,979	(17,119)
Code/health enforcement	87,871	89,211	(1,340)
Emergency management	6,929	6,607	322
Public works:			
Streets	1,370,961	1,300,400	70,561
Fleet operations	581,154	432,048	149,106
Building operations	64,100	57,165	6,935
Wrightsville Beach	4,007	7,212	(3,205)
Kellogg-Hubbard Library	316,698	316,698	0
Downtown Improvement District Expense	40,000	71,517	(31,517)
Outside agencies in budget	100,775	102,300	(1,525)
Community enhancements	30,000	33,128	(3,128)
Tree management and Board	39,775	35,717	4,058
Conservation Commission	3,500	2,177	1,323
Other governmental service	203,486	197,095	6,391
Tax abatement	64,000	64,311	(311)
Miscellaneous expense	0	4,815	(4,815)
Economic Development Plan/Assistant City Mgr & WebsiteTraining	0	66,996	(66,996)
Bad Debt Expense	0	103	(103)
Capital outlay:			
General Government	0	14,714	(14,714)
Debt service - principal	537,822	540,163	(2,341)
Debt service - interest	201,796	197,467	4,329
Total expenditures	10,302,412	10,468,394	(165,982)
Excess (deficiency) of revenues over expenditures	1,696,214	1,535,257	(160,957)
Other financing sources (uses):			
Transfer from other funds:			
Capital Projects	88,200	88,200	0
Transfer to other funds:			
Capital Projects	(1,323,403)	(1,362,168)	(38,765)
Cemetery	(118,509)	(118,509)	0
Parks	(167,627)	(167,627)	0
Senior Center	(143,475)	(143,475)	0
Events Fund	(10,400)	(10,400)	0
Affordable Housing Fund	(21,000)	(21,000)	0
Total other financing sources (uses)	(1,696,214)	(1,734,979)	(38,765)
Net change in fund balance	$ 0	(199,722)	$ (199,722)
Fund balance - July 1, 2015		1,358,692	
Fund balance - June 30, 2016		$ 1,158,970	

See accompanying notes to financial statements.

CITY OF MONTPELIER
Statement of Net Position
Proprietary Funds
June 30, 2016

	Water Fund	Sewer Fund	Parking Fund	District Heat Fund	Total
Assets:					
Current assets:					
Cash	$ 0	$ 0	$ 50	$ 0	$ 50
Receivables (net of allowance for uncollectibles)	725,083	685,299	45,955	50,978	1,507,315
Due from other funds	0	34,359	290,709	0	325,068
Deposits	0	0	1,600	0	1,600
Prepaid expenses	0	0	21,337	0	21,337
Inventory	111,217	70,966	0	9,339	191,522
Total current assets	836,300	790,624	359,651	60,317	2,046,892
Noncurrent assets:					
Capital assets:					
Land	32,000	0	218,672	0	250,672
Buildings	11,557,678	9,824,589	0	0	21,382,267
Improvements	10,684,502	22,585,422	273,495	9,473,951	43,017,370
Equipment and vehicles	950,862	1,093,924	175,328	174,234	2,394,348
Construction in Progress	15,486	41,293	0	0	56,779
Accumulated depreciation	(8,454,725)	(15,810,185)	(355,866)	(568,399)	(25,189,175)
Total noncurrent assets	14,785,803	17,735,043	311,629	9,079,786	41,912,261
Total assets	15,622,103	18,525,667	671,280	9,140,103	43,959,153
Deferred outflows of resources:					
Pension Related	92,468	128,221	58,258	8,230	287,177
Total assets plus deferred outflows of resources	$ 15,714,571	$ 18,653,888	$ 729,538	$ 9,148,333	$ 44,246,330
Liabilities:					
Current liabilities:					
Accounts payable	$ 61,927	$ 81,114	$ 11,831	$ 4,838	$ 159,710
Construction payable	13,453	14,327	0	0	27,780
Due to other funds	339,223	0	0	619,869	959,092
Accrued payroll and related expenses	5,366	7,347	3,585	528	16,826
Unearned fees and charges for services revenue	7,365	0	0	61,925	69,290
Accrued interest payable	19,405	16,905	0	9,695	46,005
Capital leases - current portion	5,628	16,320	0	0	21,948
Bonds & notes payable - current portion	525,519	671,033	0	18,822	1,215,374
Total current liabilities	977,886	807,046	15,416	715,677	2,516,025
Noncurrent liabilities:					
Net pension liability	146,019	202,478	91,996	12,996	453,489
Capital leases - long-term portion	5,886	17,068	0	0	22,954
Bonds & notes payable - long-term portion	4,952,825	5,394,552	192,500	3,005,170	13,545,047
Accrued compensated absences-long term	38,202	33,145	20,803	4,965	97,115
Total noncurrent liabilities	5,142,932	5,647,243	305,299	3,023,131	14,118,605
Total liabilities	6,120,818	6,454,289	320,715	3,738,808	16,634,630
Deferred inflows of resources:					
Pension Related	6,778	9,398	4,270	603	21,049
Total liabilities plus deferred inflows of resources	6,127,596	6,463,687	324,985	3,739,411	16,655,679
Net position:					
Invested in capital assets, net of related debt	9,579,992	12,024,243	311,629	5,435,926	27,351,790
Restricted	0	0	2,417	0	2,417
Unrestricted	6,983	165,958	90,507	(27,004)	236,444
Total net position	9,586,975	12,190,201	404,553	5,408,922	27,590,651
Total liabilities, deferred inflows of resources, and net position	$ 15,714,571	$ 18,653,888	$ 729,538	$ 9,148,333	$ 44,246,330

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Water Fund	Sewer Fund	Parking Fund	District Heat Fund	Total
Operating revenues:					
Charges for services	$ 2,731,234	$ 3,868,685	$ 858,958	$ 467,551	$ 7,926,428
Intergovernmental	0	0	0	12,719	12,719
Interest and penalties	19,825	16,939	0	0	36,764
Miscellaneous	39,992	12,013	0	578	52,583
Total Operating Revenues	2,791,051	3,897,637	858,958	480,848	8,028,494
Operating expenses:					
Administration	489,581	408,706	0	19,852	918,139
Supplies and treatment	512,912	1,830,728	0	0	2,343,640
Wastewater management	0	206,431	0	0	206,431
Distribution system	457,553	0	0	0	457,553
Collection system	0	471,209	0	0	471,209
Delinquent collection	16,701	17,394	0	0	34,095
Meter operations	73,564	0	0	0	73,564
Private sewer system maintenance	0	10,174	0	0	10,174
Parking enforcement	0	0	511,621	0	511,621
Parking lot leases	0	0	100,443	0	100,443
Parking lot maintenance	0	0	115,286	0	115,286
District heat operating expenses	0	0	0	351,682	351,682
Depreciation expense	553,070	663,842	19,699	325,319	1,561,930
Total operating expenses	2,103,381	3,608,484	747,049	696,853	7,155,767
Net operating income (loss)	687,670	289,153	111,909	(216,005)	872,727
Nonoperating revenues (expenses):					
Interest expense	(290,615)	(142,903)	(12,514)	(102,826)	(548,858)
Interest income	0	3,272	0	0	3,272
Gain on sale of equipment	2,967	18,133	0	0	21,100
Transfers from other funds	15,000	0	0	0	15,000
Transfers to other funds	0	(15,000)	(10,000)	0	(25,000)
Total nonoperating revenues (expenses)	(272,648)	(136,498)	(22,514)	(102,826)	(534,486)
Change in net position	415,022	152,655	89,395	(318,831)	338,241
Net position - July 1,2015	9,171,953	12,037,546	315,158	5,727,753	27,252,410
Net position - June 30, 2016	$ 9,586,975	$ 12,190,201	$ 404,553	$ 5,408,922	$ 27,590,651

See accompanying notes to financial statements.

CITY OF MONTPELIER, VERMONT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Water Fund	Sewer Fund	Parking Fund	District Heat Fund	Total
Cash flows from operating activities:					
Receipts from customers and users	$ 2,754,201	$ 3,929,544	$ 820,600	$ 587,836	$ 8,092,181
Receipts from intergovernmental	0	0	0	12,719	12,719
Receipts from interfund services	0	0	27,642	0	27,642
Payments to suppliers	(405,181)	(1,465,644)	(199,531)	(302,717)	(2,373,073)
Payments for interfund services	(424,818)	(591,151)	(80,448)	0	(1,096,417)
Payments for wages and benefits	(684,690)	(916,520)	(458,240)	(63,629)	(2,123,079)
Net cash provided by operating activities	1,239,512	956,229	110,023	234,209	2,539,973
Cash Flows from Noncapital Financing Activities:					
Decrease (increase) in due from other funds	0	92,421	(87,509)	0	4,912
(Decrease) increase in due to other funds	(375,467)	0	0	(93,976)	(469,443)
Transfers received from other funds	15,000	0	0	0	15,000
(Decrease) increase in accrued interest	(4,415)	(1,903)	0	(47)	(6,365)
Transfers paid to other funds	0	(15,000)	(10,000)	0	(25,000)
Interest receipts on interfund balances	0	3,272	0	0	3,272
Interest payments on interfund balances	(24,930)	0	0	(17,635)	(42,565)
Net cash provided by (used in) noncapital financing activities	(389,812)	78,790	(97,509)	(111,658)	(520,189)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(87,581)	(237,917)	0	(18,532)	(344,030)
Proceeds from sale of equipment	9,467	26,833	0	0	36,300
Principal payments on general obligation bonds and leases	(505,901)	(681,032)	0	(18,828)	(1,205,761)
Interest payments on general obligation bonds and leases	(265,685)	(142,903)	(12,514)	(85,191)	(506,293)
Net cash used in capital and related financing activities	(849,700)	(1,035,019)	(12,514)	(122,551)	(2,019,784)
Net Increase in Cash	0	0	0	0	0
Cash - July 1, 2015	0	0	50	0	50
Cash - June 30, 2016	$ 0	$ 0	$ 50	$ 0	$ 50
Adjustments to reconcile operating income to net cash provided by operating activities:					
Net operating income (loss)	$ 687,670	$ 289,153	$ 111,909	$ (216,005)	$ 872,727
Depreciation expense	553,070	663,842	19,699	325,319	1,561,930
Pension expense	3,115	(184)	215	2,361	5,507
Decrease (increase) in accounts receivable	(38,757)	31,907	(10,716)	150,338	132,772
Decrease (increase) in prepaid expenses	0	0	(26)	0	(26)
Decrease (increase) in inventory	12,712	13,897	0	4,483	31,092
(Decrease) increase in accounts payable	34,357	(9,941)	1,354	(327)	25,443
(Decrease) increase in accrued payroll	(12,960)	(21,406)	(12,689)	(547)	(47,602)
(Decrease) increase in unearned fees and charges for services revenue	1,907	0	0	(30,631)	(28,724)
(Decrease) increase in accrued vacation	(1,602)	(11,039)	277	(782)	(13,146)
Net cash provided by operating activities	$ 1,239,512	$ 956,229	$ 110,023	$ 234,209	$ 2,539,973

Non-cash transactions:

Due to the implementation of GASB#68, which changed the way pension liabilities are valued with no affect on forseeable funding amounts payable the following assets, liabilities and equity accounts were affected:

	Water Fund	Sewer Fund	Parking Fund	District Heat Fund	Total
Deferred outflows of resources-pension related	$ (63,840)	$ (86,271)	$ (39,348)	$ (6,725)	$ (196,184)
Net pension liability	126,385	173,707	79,027	11,964	391,083
Deferred inflows of resources-pension related	(59,430)	(87,620)	(39,464)	(2,878)	(189,392)

See accompanying notes to financial statements.

The City of Montpelier, Vermont (City) was chartered on March 5, 1895 and operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, culture and recreation, community development, cemetery, public improvements, water, sewer, parking, district heat and general administrative services.

1. Summary of Significant Accounting Policies

The accounting policies adopted by the City of Montpelier, Vermont conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

1.a. The Financial Reporting Entity

This report includes all of the funds of the City of Montpelier, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on the aforementioned criteria, the City has one component unit, The Green Mount Cemetery Commission. Although legally separate, the Commission is blended as a governmental non-major fund into the primary government. Separate financial statements for the Commission are not issued.

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

Those criteria are:

a) It has a separately elected governing body. The voters of the City of Montpelier elect a board of seven School Commissioners who are charged with the exclusive management and control of the public schools and all school property of the City. Vacancies in the Board of School Commissioners are filled by the remaining members of the Board of School Commissioners.

b) It is legally separate as defined in the standard. The Montpelier Public School System possesses the corporate powers that would distinguish it as being legally separate including the capacity to have its own name, the right to sue and be sued in its own name without recourse to the City of Montpelier, and the right to buy, sell, lease and mortgage property in its name, subject to the approval of the voters. The Board of School Commissioners have all the powers of a Vermont town school district except the power to call elections or take property.

(continued)

1. Summary of Significant Accounting Policies (continued)

1.a. The Financial Reporting Entity (continued)

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

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

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

1.b. Basis of Presentation

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

The basic financial statements of the City include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the City as a whole and presents a longer-term view of the City's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the City and presents a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of the City's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(continued)

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

The City reports on the following major governmental funds:

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

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

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

The City reports on the following major enterprise funds:

Water Fund This fund accounts for the operations of the Water Department.

Sewer Fund This fund accounts for the operations of the Sewer Department.

Parking Fund This fund accounts for the operations of parking activities.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into restricted, committed, assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

(continued)

1. Summary of Significant Accounting Policies (continued)

1.d. Basis of Accounting

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

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in governmental funds to be available if the revenues are collected within six months after year-end except for property taxes which is sixty (60) days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

1.e. Use of Estimates

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

1.f. Assets, Liabilities and Equity

Cash

The City considers all short-term investments of ninety (90) days or less to be cash equivalents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Investments

The City invests in investments as allowed by State statute and the City Council's investment policy. Investments with readily determinable fair values are reported at their fair values on the financial statements. Unrealized gains and losses are included in revenue.

(continued)

1. Summary of Significant Accounting Policies (continued)
1.f. Assets, Liabilities and Equity (continued)
Receivables
The City utilizes the allowance method for uncollectible accounts. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Internal Balances
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Expenses
Inventories are determined by physical count and valued at the lower of cost (first-in, first-out) or market. Inventories in the General and Proprietary Funds consist of expendable supplies held for consumption.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories, and prepaid expenses of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net current assets.

Capital Assets
Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The City has elected to not report major general infrastructure assets retroactively. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

(continued)

1. Summary of Significant Accounting Policies (continued)
1.f. Assets, Liabilities and Equity (continued)
Capital Assets (continued)

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

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

Compensated Absences
It is the policy of the City of Montpelier, Vermont to permit employees to accumulate earned but unused vacation benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental type financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Pensions
In July of 2014, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

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) and additions to/deductions from VMERS's fiduciary net position have been determined on the same basis as they are reported by VMERS. 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.

Deferred Outflows of Resources
The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's financial statements are a deferred outflow of 1) the difference between expected and actual experience, 2) changes in assumptions, 3) difference between projected and actual investment earnings, and 4) resources for contributions made to the City's defined benefit pension plans between the measurement date of the net position liabilities from those plans and the end of the City's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

(continued)

1. Summary of Significant Accounting Policies (continued)
1.f. Assets, Liabilities and Equity (continued)
Deferred Inflows of Resources
The City's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the City's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than sixty days after the end of the City's fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes, grants and loans are reported in the governmental funds balance sheet.

Long-term Liabilities
Long-term liabilities include notes, bonds and leases payable and other obligations such as compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and generally only include current assets and liabilities on their balance sheets.

Government-wide and Proprietary Fund Net Position
Net position represents the difference between assets and liabilities in the statement of net position. Government-wide net position is divided into three components:

Invested in capital assets, net of related debt – consists of the historical cost of capital less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consists of assets that are restricted by the City's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

The City first utilizes restricted resources to finance qualifying activities.

Governmental Fund Balances
In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.

(continued)

1. Summary of Significant Accounting Policies (continued)

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

Governmental Fund Balances (continued)

Assigned – Amounts the City intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned – All amounts not included in other spendable classifications.

When an expenditure is incurred that qualifies for payment from any of the three unrestricted fund balance categories, it is applied in the following order: Committed, Assigned and then Unassigned.

2. Explanation of Differences Between Governmental Fund and Government-wide Statements

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they occur. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as an other financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

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

3. Stewardship, Compliance and Accountability

3.a. Budgetary Information

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

Annually, on the first Tuesday in March, the voters authorize a specific sum of budgeted tax appropriation for the support of all City departments. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. There were no budget amendments during the year. The City budgets operating transfers between the Proprietary Funds and the General Fund as expenses in the Proprietary Funds and as operating transfers in the General Fund.

There is no approved budget for the Community Development Fund.

(continued)

3. Stewardship, Compliance and Accountability (continued)

3.b. Excess of Expenditures Over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations in the General Fund by $199,722. This overage was paid from the available fund balance. City Manager Office expenses were higher than budgeted by $138,672 - (legal fees over by $114,,490 due to litigation from a former employee and a tax exemption dispute). Police expenses are over by $87,807 in wages and overtime due to a new union contract and employee extended leaves. Unbudgeted police outside pay of $118,720 is due to an extra sergeant whose wages is covered by a grant. Unbudgeted downtown improvement expenses of $31,517 are funded 100% by special property taxes on downtown properties. City Council/City Manager approved spending of fund balance totaled $81,710 ($66,996 + $14,714). Lastly, an unbudgeted transfer of $38,765 was made to the Capital Projects Fund to pay for the unfinanced portion of the budgeted new ambulance. These overages were partially offset by savings in Finance of $41,768 and Public Works Streets, Fleet and Building Operations of $226,602.

4. Detailed Notes on All Funds

4.a. Deposits and Investments

Cash - Deposits with Financial Institutions	$ 3,152,943
Cash on Hand	600
Total Cash	3,153,543
Investments - Cash with Financial Institutions	340,950
Money Market Mutual Funds	1,966
Mutual Funds - Mixed Holdings	159,062
Mutual Funds - Bonds	687,692
Mutual Funds - Stocks	257,745
Corporate Stock	1,717
Total Investments	1,449,132
Total Cash and Investments	$ 4,602,675

Investment Policy

The City's investment policy is as follows:

All public funds (defined herein) shall be invested to achieve liquidity, security and return. Of the foregoing, it is the declared intention of the City Council to provide for security of investment, both principal and interest, as a priority.

Public funds shall be invested in accordance with the following schedule of priorities:

(a) Deposits insured by an agency of the federal government; provided, however, that up to $500,000 of uninsured public funds may be invested or deposited in any one state or federal banking institution which maintains offices in the City of Montpelier.
(b) Obligations of the United States, such as Treasury Notes.
(c) General obligations of the State of Vermont.
(d) General obligations of the several states.
(e) Securities fully insured by an agency of the United States, or fully collateralized by securities of the United States.

(continued)

4. Detailed Notes on All Funds (continued)
4.a. Deposits and Investments (continued)
Investment Policy (continued)

(f) Periodically, and at least every three years, the City Treasurer will do a survey of all banking institutions maintaining offices in Washington County and whose services area includes the City of Montpelier. Each banking institution so surveyed will be required to submit a proposal to serve as the City's lead bank and as one of the City's depository banks. The City Treasurer, in concert with the City Council, shall designate annually a lead bank and one or more depository banks, and shall establish the banking service to be secured from each.

(g) In order to achieve investment liquidity, the City Treasurer shall be given thirty days advance notice of any requisition or warrant in excess of $50,000.

(h) The term "public funds" shall not include cash or credits held for the City's benefit as performance or completion.

(i) For investments that the City controls directly, no investment will be made in tobacco stocks. For investments in which the City has an advisory role or has a seat on an investment board or committee, or where the City is constrained in its action by statute or existing contract, the City and/or its representatives shall make their best effects to avoid investment of City funds in tobacco stocks, consistent with their fiduciary responsibilities.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have any policy to limit the exposure to interest rate risk.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. Mutual funds are shown at their weighted average maturity (if available). The City's certificates of deposit are not subject to interest rate risk disclosure. Corporate stock is exempt from this analysis.

	Remaining Maturity (In Years)					
Investment Type	0-1	1-5	6-10	26-83	N/A or Data not Available	Total
Brokerage Cash Accounts	$ 0	$ 0	$ 0	$ 0	$ 340,950	$ 340,950
Money Market Mutual Funds	1,966	0	0	0	0	1,966
Mutual Funds - Mixed Holdings	0	0	0	0	159,062	159,062
Mutual Funds - Bonds	0	382,292	259,350	30,600	0	672,242
Mutual Funds - Mortgage Pools	0	0	0	15,450	0	15,450
Mutual Funds - Stocks	0	0	0	0	257,745	257,745
Corporate Stock	0	0	0	0	1,717	1,717
	$ 1,966	$ 382,292	$ 259,350	$ 46,050	$ 759,474	$ 1,449,132

Credit Risk

Generally, credit risk is the risk than an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The certificates of deposit and the corporate stock are exempt from this analysis. The mutual funds are open-ended and are therefore excluded from the credit risk analysis.

(continued)

4. Detailed Notes on All Funds (continued)
4.a. Deposits and Investments (continued)
Concentration of Credit Risk

The City does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer, other than certificates of deposit and mutual funds, that represent more than 5% of total investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City's investments are held in its name and are not subject to custodial credit risk. The City does not have any policy to limit the exposure to custodial credit risk. The table below shows the custodial credit risk of the City's cash and certificates of deposits.

	Bank Balance
Insured by FDIC	$ 827,674
Uninsured - SIPC	88,478
Collateralized Pledged Restricted Securities	2,550,690
Uninsured, Collateralized	143,923
Uninsured, Uncollateralized	0
Total Deposits	$ 3,610,765

Deposits are comprised of the following:

Cash – Deposits with Financial Institutions	$ 3,269,815
Investments – Cash with Financial Institutions	340,950
Total	$ 3,610,765

(continued)

4. Detailed Notes on All Funds (continued)

4.b. Receivables

Receivables at June 30, 2016, as reported in the Statement of Net Position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes, Penalties and Interest	$ 142,581	$ 0	$ 142,581
Ambulance	78,266	0	78,266
Parking Tickets	0	247,834	247,834
Accounts Receivable	166,154	227,879	394,033
Contributions Receivable	0	0	0
Grants	166,106	0	166,106
Billed Services	0	98,887	98,887
Unbilled Services	0	1,151,715	1,151,715
Other Receivables	8,515	0	8,515
Allowance for Doubtful Accounts	(36,400)	(219,000)	(255,400)
	$ 525,222	$ 1,507,315	$ 2,032,537

4.c. Loans Receivable

Governmental Activities:

There are approximately 80 loans to residents, businesses, and non-profit organizations that were funded with various community development grants and loans. The largest outstanding balance is approximately $600,000 and there are five other loans with balances over $100,000. The terms of the loans vary depending on the type of the loan allowed per the grant agreements. Interest rates vary between 0% and 8%.	$ 3,614,510
Notes receivable, twelve (12) housing loans, 0% interest, due upon any conveyance or transfer of condominium or housing units.	172,000
Total	3,786,510
Less allowance for doubtful loans	(2,748,262)
	$ 1,038,248

Changes in loans receivable for the year ended June 30, 2016 were as follows:

Beginning Balance	Additions	Deletions	Ending Balance
$ 3,264,235	$ 1,240,000	$ 717,725	$ 3,786,510

(continued)

4. Detailed Notes on All Funds (continued)

4.d. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 2,762,937	$ 0	$ 0	$ 2,762,937
Construction in progress	1,682,067	393,588	148,011	1,927,644
Total capital assets, not being depreciated	4,445,004	393,588	148,011	4,690,581
Capital assets being depreciated:				
Buildings and building improvements	8,974,849	0	0	8,974,849
Vehicles and equipment	6,619,445	789,796	360,996	7,048,245
Infrastructure	15,924,549	1,146,971	0	17,071,520
Totals	31,518,843	1,936,767	360,996	33,094,614
Less accumulated depreciation for:				
Buildings and building improvements	2,998,786	221,710	0	3,220,496
Vehicles and equipment	3,842,071	479,013	318,583	4,002,501
Infrastructure	3,074,711	621,693	0	3,696,404
Totals	9,915,568	1,322,416	318,583	10,919,401
Total capital assets, being depreciated	21,603,275	614,351	42,413	22,175,213
Governmental activities capital assets, net	$ 26,048,279	$ 1,007,939	$ 190,424	$ 26,865,794

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 250,672	$ 0	$ 0	$ 250,672
Construction in progress	47,128	56,779	47,128	56,779
Total capital assets, not being depreciated	297,800	56,779	47,128	307,451
Capital Assets Being Depreciated:				
Buildings	21,382,267	0	0	21,382,267
Improvements	42,793,602	223,768	0	43,017,370
Equipment and vehicles	2,401,970	112,026	119,648	2,394,348
Total capital assets, being depreciated	66,577,839	335,794	119,648	66,793,985
Less accumulated depreciation for:				
Buildings	6,369,919	414,727	0	6,784,646
Improvements	15,957,406	998,559	0	16,955,965
Equipment and vehicles	1,404,368	148,644	104,448	1,448,564
Totals	23,731,693	1,561,930	104,448	25,189,175
Total capital assets, being depreciated	42,846,146	(1,226,136)	15,200	41,604,810
Business-type activities capital assets, net	$ 43,143,946	$ (1,169,357)	$ 62,328	$ 41,912,261

(continued)

4. Detailed Notes on All Funds (continued)

4.d. Capital Assets (continued)

Depreciation was charged as follows:

Governmental Activities:		*Business - Type Activities:*	
General Government	$ 132,497	Water	$ 553,070
Public Safety	226,406	Sewer	663,842
Public Works	904,061	Parking	19,699
Culture and Recreation	48,136	District Heat	325,319
Cemetery	11,316		$ 1,561,930
	$ 1,322,416		

4.e. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2016 is as follows:

Fund	Receivable Fund	Payable Fund
General Fund	$ 0	$ 1,369,088
Community Development Fund	0	5,492
Capital Projects Fund	1,685,849	0
Other Governmental Funds	709,098	386,343
Water Fund	0	339,223
Sewer Fund	34,359	0
Parking Fund	290,709	0
District Heat Fund	0	619,869
Total due to/from other funds	$ 2,720,015	$ 2,720,015

Approximately $450,000 of District Heat's interfund payable is not expected to be paid within a year.

Interfund transfers during the year ended June 30, 2016 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Projects Fund	$ 849,103	Budgetary Authorization
General Fund	Capital Projects Fund	38,765	Ambulance Debt Payment
General Fund	Capital Projects Fund	432,300	Budgetary Authorization
General Fund	Capital Projects Fund	42,000	Budgetary Authorization
General Fund	Green Mount Cemetery Fund	118,509	Budgetary Authorizations
General Fund	Montpelier Parks Commission	167,627	Budgetary Authorizations
General Fund	Montpelier Events Fund	10,400	Budgetary Authorization
General Fund	Montpelier Housing Trust Fund	21,000	Budgetary Authorization
General Fund	Senior Center	143,475	Budgetary Authorization
Capital Projects Fund	General Fund	45,000	Budgetary Authorization
Capital Projects Fund	General Fund	43,200	Carr Rent to cover debt
Expendable Cemetery Trust Fund	Green Mount Cemetery Fund	27,000	Budgetary Authorization
Non-Expendable Cemetery Trust Fund	Expendable Cemetery Trust Fund	13,826	Investment Income Transfer
Hubbard Park Trust Fund	Montpelier Parks Commission Fund	52	Interest Income Transfer
Sewer Fund	Water Fund	15,000	Budgetary Authorizations
Parking Fund	Green Mount Cemetery Fund	10,000	Budgetary Authorization
Total		$ 1,977,257	

(continued)

4. Detailed Notes on All Funds (continued)
4.e. Interfund Receivables, Payables and Transfers (continued)

Interfund loan balances at June 30, 2016 were as follows:

	Community Development Fund Receivable	Senior Citizens Fund Payable
Community Development (Capital Plaza) loan of $114,850, interest at 3.25% per annum, monthly installments of $651.42, due July 15, 2012 to July 15, 2032	$ 97,428	$ (97,428)
Community Development (ADA) loan of $60,000, interest at 4% per annum, monthly installments of $443.81, due July 15, 2012 to July 15, 2027	47,332	(47,332)
Total of interfund loans	$ 144,760	$ (144,760)

Changes in interfund loans for the year ended June 30, 2016 were as follows:

Beginning Balance	Additions	Deletions	Ending Balance
$ 152,689	$ 0	$ 7,929	$ 144,760

4.f. Unearned Revenue/Unavailable Revenue

Unearned revenue in the General Fund consists of $41,645 of grant revenue and $9,068 of fees and service revenue received in advance. Unavailable revenue in the General Fund consists of $99,166 of delinquent taxes not anticipated to be collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Unavailable revenue in the Community Development Fund consists of $709,248 of loans receivable and $5,492 of grant revenue not anticipated to be collected within six (6) months after year-end as these would not be available to liquidate current liabilities.

Unavailable revenue in the Capital Projects Fund consists of $58,445 of grant receivables not anticipated to be collected within six (6) months after year-end as these would not be available to liquidate current liabilities.

Unearned revenue in the Other Governmental Funds consists of $31,667 of grant revenue and $24,516 of fees and services revenue received in advance. Unavailable revenue in the Other Governmental Funds consists of $329,000 of loans receivable that were not anticipated to be collected within six (6) months after year-end as these would not be available to liquidate current liabilities.

Unearned revenue in the Water Fund consists of $7,365 of water usage overpayments.

Unearned revenue in the District Heat Fund consists of $60,209 of capacity revenue and $1,716 of energy usage revenue received in advance.

(continued)

4. Detailed Notes on All Funds (continued)

4.g. Long-term Liabilities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for the payment of a prior pension liability. General obligation bonds have been issued for general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds generally are issued as 10 to 20 year bonds.

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

The City enters into lease agreements as lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer projects.

It is the policy of the City of Montpelier, Vermont to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Long-term liabilities outstanding as of June 30, 2016 were as follows:

Governmental Activities

Retaining walls bond, net interest rate 5.676%, to Vermont Municipal Bond Bank, $5,000 principal payments due annually from December 1, 1997 to December 1, 2016.	$	5,000
Fire station improvement bond, net interest rate 5.029%, to Vermont Municipal Bond Bank, $40,000 principal payments due annually from December 1, 1998 to December 1, 2007, $35,000 from December 1, 2008 to December 1, 2017.		70,000
Bridge improvement bond, net interest rate 5.033%, to Vermont Municipal Bond Bank, $35,000 principal payments due annually from December 1, 1998 to December 1, 2013, $30,000 from December 1, 2014 to December 1, 2017.		60,000

(continued)

4. Detailed Notes on All Funds (continued)
4.g. Long-term Liabilities (continued)

Street improvement and sewer line bond, various interest rates (.44% to 4.854%), to Vermont Municipal Bond Bank, semi-annual principal of 1 payment of $35,500 then $69,000 due May and November 15, with final payment of $33,500 due November 15, 2034, (51.45% reported in Governmental Activities and 48.55% reported in Sewer Fund).	656,183
Retaining wall bond, net interest at 4.789%, to Vermont Municipal Bond Bank, $50,000 principal payments due annually from December 1,1999 to December 1, 2003, $45,000 from December 1, 2004 to December 1, 2018.	135,000
Library bond, various interest rates (4.344% - 5.644%), to Vermont Municipal Bond Bank, $30,000 principal due annually from December 1, 2001 to December 1, 2020.	150,000
Bike path lighting project bond, interest at 4.67%, to Vermont Municipal Bond Bank, $20,000 principal due annually, due in December 2021.	120,000
Montpelier Police Station bond, various interest rates (4.344% - 5.644%), to Vermont Municipal Bond Bank, $75,000 principal due annually from December 1, 2001 to December 1, 2014, $70,000 from December 1, 2015 to December 1, 2020.	350,000
City Hall improvement bond, various interest rates (1.87% - 5.09%), to Vermont Municipal Bond Bank, $45,000 principal due annually from December 1, 2005 to December 1, 2014, $40,000 principal due from December 1, 2015 to December 1, 2024.	360,000
Honeywell Global Finance, LLC. Lease, for energy efficiency upgrades, interest at 4.53%, due in annual installments of principal and interest of $25,600 until February 1, 2009 then $26,890 until February 2010, then $30,431 until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of lease reported in Water Fund and 29% reported in Sewer Fund), secured by equipment.	70,231
City Hall/DPW improvement bond, various interest rates (3.835% - 4.665%) to Vermont Municipal Bond Bank, $45,000 principal due annually from December 1, 2007 to December 1, 2022, $40,000 due from December 1, 2023 and $35,000 due from December 1, 2024 to December 1, 2026.	460,000

(continued)

4. Detailed Notes on All Funds (continued)
4.g. Long-term Liabilities (continued)

VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from $30,000 to $524,000 until November 15, 2032, (74.96% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.29% reported in Sewer Fund and 5.40% reported in Parking Fund).		2,672,500
Carr Lot, streets, fire truck and buildings improvement bond, various interest rates (1.098% - 3.908%), to Vermont Municipal Bond Bank, $85,000 principal due annually from December 1, 2013 to December 1, 2026, $80,000 principal due from December 1, 2027 to December 1, 2032.		1,415,000
Sabins pasture/district heating/retaining walls/bridges improvement bond, various interest rates (1.391% to 4.981%) to Vermont Municipal Bond Bank, annual installments of $95,000 decreasing to $45,000 until November 15, 2029 (21.74% reported in District Heat Fund).		481,616
Merchants Bank note for ambulance, interest at 1.65%, annual principal payments of $35,500 plus interest starting January 13, 2017, ending January 13, 2020.		142,000
Trustees of Allen Carr Revocable Trust Note, interest at 4.5% adjusted on Jan 2019 and 2024, monthly payments of principal and interest of $3,600 due until January 2, 2026, secured by mortgage on 1 Taylor St.		333,450
Total governmental activities bonds , notes payable and leases payable	$	7,480,980

Business-type Activities

Water Fund

Water line improvement bond, various interest rates (3.865% - 4.665%) to Vermont Municipal Bond Bank, principal payments in annual installments of $105,519 decreasing to $80,195 until December 1, 2027.	$	1,105,844
Water filtration system bond issued July 10, 1991 to Vermont Municipal Bond Bank, refunded by the Vermont Municipal Bond Bank August 2, 1995, from 1991 Series 1 to 1995 Series 1 and 2, net interest rate of 7.14%, interest payable June 1 and December 1, and principal payable in various annual installments increasing from $25,000 to $195,000 until December 1, 2021.		995,000

(continued)

4. Detailed Notes on All Funds (continued)
4.g. Long-term Liabilities (continued)

Vermont water system improvement bond refinanced July 2004 through the Vermont Bond Bank, various interest rates (1.87% - 5.09%), interest payable June 1 and December 1, and principal payable in various annual installments increasing from $145,000 to $310,000 until December 1, 2024.		2,300,000
Westside connector bond issued July 2004 to Vermont Municipal Bond Bank, interest rates (1.87% - 5.09%), interest payable June 1 and December 1, and principal payable in various annual installments increasing from $50,000 to $105,000 until December 1, 2024.		780,000
VMERS Refunding Bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from $30,000 to $524,000 until November 15, 2032, (74.96% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.29% reported in Sewer Fund and 5.40% reported in Parking Fund).		297,500
Honeywell Global Finance, LLC lease for energy efficient upgrades, interest at 4.53%, due in annual installments of principal and interest of $25,600 until February 1, 2009, then $26,890 until February 1, 2010, then $30,431 until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of lease reported in Water Fund and 29% reported in Sewer Fund), secured by equipment.		11,514
Total Water Fund bonds and leases payable	$	5,489,858

Sewer Fund

Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $22,049 until December 1, 2016.	$	22,049
Sewer system improvement Bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $38,856 until December 1, 2017.		77,711
Sewer system improvement bond, Vermont Municipal Bond Bank, net interest rate of 5.676%, annual principal of $30,000 until December 1, 2016.		30,000

(continued)

4. Detailed Notes on All Funds (continued)
4.g. Long-term Liabilities (continued)

Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $14,156 until December 1, 2018.	42,468
Ultraviolet disinfection system bond issued July 2004 through the Vermont Municipal bond Bank, interest rates (1.87% - 5.09%), payable June 1 and December 1, and principal payable in various annual installments increasing from $55,000 to $105,000 until December 1, 2024.	810,000
Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $35,497 until April 1, 2020.	141,988
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $174,171 until July 1, 2025.	1,567,538
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $13,807 until January 1, 2022.	82,843
Sewer system improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $26,456 until July 1, 2022.	158,735
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $34,432 until July 1, 2023.	241,023
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments payments of $28,100 until June 1, 2024.	224,797
Water treatment improvement bond, State of Vermont Special Revolving Loan Fund, 0% interest, annual principal payments of $25,785 starting in fiscal year 2007 for 20 years, during 2009 the loan was finalized and the repayment schedule was adjusted to annual principal payments of $34,710 until September 1, 2025.	347,097
Local share CSO bond, Vermont Municipal Bond Bank, various interest rates (2.80%-5.30%), annual principal payments of $40,000 until 2020 then annual principal payments of $35,000 until December 1, 2031.	580,000

(continued)

4. Detailed Notes on All Funds (continued)
4.g. Long-term Liabilities (continued)

River Street sewer line bond, Vermont Municipal Bond Bank, various interest rates (1.9% - 4.65%), principal payments of $20,000 until November 15, 2028.		260,000
VMERS refunding bond, Vermont Municipal Bond Bank, interest rate at 6.501%, semi-annual interest only payments through May 15, 2017, principal payable starting November 15, 2017 in various annual installments increasing from $30,000 to $524,000 until November 15, 2032, (74.96% of bond reported in Governmental Activities, 8.35% reported in Water Fund, 11.29% reported in Sewer Fund and 5.40% reported in Parking Fund).		402,500
Honeywell Global Finance, LLC lease for energy efficient upgrades, interest at 4.53%, due in annual installments of principal and interest of $25,600 until February 1, 2009, then $26,890 until February 1, 2010, then $30,431 until February 1, 2018, (61% of lease reported in Governmental Activities, 10% of lease reported in Water Fund and 29% reported in Sewer Fund), secured by equipment.		33,388
Sewer pump bond, Vermont Municipal Bond Bank, various interest rates (3.865% - 4.665%), principal payments in annual installments of $19,481, decreasing to $14,805 until December 1, 2027.		204,156
Street improvement and sewer line bond, various interest rates (.44% to 4.854%), to Vermont Municipal Bond Bank, semi-annual principal of 1 payment of $35,500 then $69,000 due May and November 15, with final payment of $33,500 due November 15, 2034, (51.45% reported in Governmental Activities and 48.55% reported in Sewer Fund).		619,318
Sewer CSO/ultra violet bond, Vermont Municipal Bond Bank, interest rate 2%, due in annual installments of principal and interest of $26,064 until July 1, 2031.		253,362
Total Sewer Fund bonds and lease payable	$	6,098,973

Parking Fund

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

(continued)

4. Detailed Notes on All Funds (continued)
4.g. Long-term Liabilities (continued)

District Heat Fund

Sabins pasture/district heating/retaining walls/bridges improvement bond, various interest rates (1.391% to 4.981%) to Vermont Municipal Bond Bank, annual installments of $95,000 decreasing to $45,000 until November 15, 2029 (78.26% reported in Governmental Activities).	$	168,384
VEDA-CEDF Note for District Heat, interest at 1.00%, interest only payments until the project revenues exceed expenses by $80,000, then annual payments of principal of $75,000 plus interest. Principal payments budgeted to start July 2030 to July 2039.		750,000
State of Vermont Note for District Heat, Design and Construction of City Room, at zero percent interest,seven monthly payments of $838.20 from October to April for nineteen (19) years, last payment April 2034		105,608
A Vermont Municipal Bank $2,000,000 bond was issued on July 1, 2014, various interest rates (.513% to 4.283%) due semi annually, annual principal of $100,000 due November 15, 2019 to 2038.		2,000,000
Total District Heat Fund bonds and notes payable	$	3,023,992
Total Proprietary Funds bonds notes and leases payable	$	14,805,323

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 7,412,879	$ 0	$ (477,580)	$ 6,935,299	$ 477,580
Capital Leases	103,056	0	(32,825)	70,231	34,329
Notes Payable	363,208	142,000	(29,758)	475,450	64,283
Compensated Absences	350,597	34,888	0	385,485	0
Total Governmental Activities Long-Term Liabilities	$ 8,229,740	$ 176,888	$ (540,163)	$ 7,866,465	$ 576,192
Business-type Activities					
General Obligation Bonds	$ 15,083,714	$ 0	$ (1,178,901)	$ 13,904,813	$ 1,209,507
Capital Leases	65,889	0	(20,987)	44,902	21,948
Notes Payable	861,481	0	(5,873)	855,608	5,867
Compensated Absences	110,261	0	(13,146)	97,115	0
Total Business-type Activities Long-Term Liabilities	$ 16,121,345	$ 0	$ (1,218,907)	$ 14,902,438	$ 1,237,322

Compensated absences are paid by the applicable fund where the employee is charged.

(continued)

4. Detailed Notes on All Funds (continued)
4.g. Long-term Liabilities (continued)

Debt service requirements to maturity are as follows:

	Governmental Activities			Business-Type Activities		
Year Ending June 30	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2017	$ 541,863	$ 316,247	$ 37,126	$ 1,215,373	$ 449,511	$ 23,737
2018	560,675	293,051	37,126	1,201,452	389,815	23,737
2019	507,551	275,753	0	1,191,735	318,115	0
2020	475,243	252,163	0	1,301,976	273,274	0
2021	472,541	248,837	0	1,295,846	202,986	0
2022-2026	1,871,012	1,026,121	0	5,015,466	726,289	0
2027-2031	1,957,924	572,660	0	1,646,414	485,219	0
2032-2036	1,023,940	66,168	0	1,292,159	168,569	0
2037-2041	0	0	0	600,000	26,773	0
Less Amounts Representing Interest	0	0	(4,021)	0	0	(2,572)
Total	$ 7,410,749	$ 3,051,000	$ 70,231	$ 14,760,421	$ 3,040,551	$ 44,902

The City Council and the voters authorized the City to borrow $710,000 for the One Taylor Bike Path & Transit Center project, reconstruction of Taylor Street and a retaining wall and $180,000 for pollution control improvements to the Wastewater Treatment Plant. This debt has not been issued yet. The City Council approved borrowing $76,400 from the State Revolving Loan Fund for a Northfield Street Reconstruction project.

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

Beginning Balance	$ 0
Proceeds of Tax Anticipation Note – General Fund	1,500,000
Repayment of Tax Anticipation Note – General Fund	(1,500,000)
Ending Balance	$ 0

The tax anticipation note had an interest rate of 2.8% and was paid in full on June 30, 2016. Interest paid for the year ended June 30, 2016 was $69,808.

***4. h.* Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the City's contributions to the Plan were $458,261.

At June 30, 2016, the City reported a liability of $2,189,454 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 2.8399 percent, which was a decrease of 0.1433 from its proportion measured as of June 30, 2014.

(continued)

4. Detailed Notes on All Funds (continued)
4. h. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2016, the City recognized pension expense of $569,471 on the government-wide statements. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 69,209	$ 0
Changes in assumptions	436,030	0
Difference between projected and actual investment earnings	422,991	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	101,625
Member contributions subsequent to the measurement date	458,261	0
Total	$ 1,386,491	$ 101,625

The $458,261 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2017	$ 151,790
2018	151,790
2019	151,790
2020	371,235

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate – 7.95% per annum. Through July 1,2014, a select-and-ultimate interest rate set, specified below. The interest rate set is restarted every year.

Year 1	6.25%	Year 10	8.50%
Year 2	6.75%	Year 11	8.50%
Year 3	7.00%	Year 12	8.50%
Year 4	7.50%	Year 13	8.50%
Year 5	7.75%	Year 14	8.50%
Year 6	8.25%	Year 15	8.50%
Year 7	8.25%	Year 16	8.75%
Year 8	8.25%	Year 17 and later	9.00%
Year 9	8.50%		

(continued)

4. Detailed Notes on All Funds (continued)

4. h. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Salary increase - 5% per year

Deaths
Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females
Non-disabled retirees and terminated vested participants – the 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females
Disabled retirees – RP-2000 Disabled Life Tables
Beneficiaries – 1995 Buck Mortality Tables for males and females

Spouse's age – husbands are assumed to be three years older than their wives

Cost of Living Adjustments to Benefits of Terminated Vested and Retired Participants - Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Actuarial Cost Method – Entry age normal – level percentage of pay.

Asset Valuation Method – Invested assets are reported at fair value.

Inflation - The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term expected rate of return
The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%.

(continued)

4. Detailed Notes on All Funds (continued)
4. h. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.95%. 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. Based on those assumptions, the Plan's 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 change in the discount rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is 1-percentage-point lower (6.95 percent) or 1-percentage-point higher (8.95 percent) than the current rate:

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
$ 4,373,292	$ 2,189,455	$ 358,775

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in 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. See note 6.a. for more information on the Pension Plan.

See note 5.a. for more information on the Pension Plan.

(continued)

4. Detailed Notes on All Funds (continued)

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

The restricted fund balances/net position of the City as of June 30, 2016 consisted of the following:

		Balance June 30, 2016
Governmental Funds		
General Fund:		
Act 60 Reappraisal - State Statute	$	52,299
Records Restoration - State Statute		8,948
Park Impact Fees - State Statute		19,614
Police Canine Donation		3,269
Drug Seizure		4,365
Total General Fund		88,495
Community Development Fund:		
Community Development Grant Funds		305,007
Total Community Development Fund		305,007
Capital Projects Fund:		
Bond Proceeds		736,334
Total Capital Projects Fund		736,334
Other Governmental Funds:		
Special Revenue Funds:		
Montpelier Events Fund - Donations		6,126
Montpelier Events Fund - Grants		1,461
Total Montpelier Events Fund		7,587
Green Mount Cemetery		8,090
Montpelier Foundation - Donations		114,701
Total Special Revenue Funds		130,378
Permanent Funds:		
Expendable Cemetery Trust		394,218
Total		394,218
Total Other Governmental Funds		524,596
Total Restricted Fund Balances - Governmental Funds	$	1,654,432

(continued)

4. Detailed Notes on All Funds (continued)
4.i. Restricted, Committed and Assigned Fund Balances/Net Position (continued)

The committed fund balances/net position of the City as of June 30, 2016 consisted of the following:

		Balance June 30, 2016
Governmental Funds:		
Major Funds:		
General Fund:		
Committed for Fire Revenue Reserve	$	1,782
Committed for Justice Center Revolving Loan		4,632
Committed for Conservation Commission		8,794
Committed for Health Reimbursement Arrangement		119,700
Total General Fund		134,908
Community Development Fund:		
Committed for MBL Program		51,684
Committed for HPG Program		117,734
Committed for Community Development Program		28,343
Total Community Development Fund		197,761
Capital Projects Fund:		
Committed for Future Projects		796,720
Committed for Flood Mitigation-Phase II Project		290,381
Total Capital Projects Fund		1,087,101
Other Governmental Funds:		
Special Revenue Funds:		
Committed for Montpelier Park Commission		34,278
Committed for Montpelier Events Fund		11,956
Committed for Conservation Fund		38,201
Committed for Montpelier Housing Trust Fund		141,057
Committed for Senior Center Fund		376,585
Total Special Revenue Funds		602,077
Total Committed Fund Balances - Governmental Funds	$	2,021,847

The negative unassigned fund balance of $108,233 in the Capital Projects Fund is a result of $58,445 of grant expenses that will be funded from future grant proceeds and $38,230 of police equipment expenses and $11,558 of streets/traffic improvements which will be funded from future appropriated capital funds.

(continued)

4. Detailed Notes on All Funds (continued)

4.i. Restricted Net Position

The restricted net position of the City (government-wide statements) as of June 30, 2016 consisted of the following:

Governmental Activities:		
Restricted by State Statute - Impact Fees	$	19,614
Restricted by State Statute – Other		61,246
Restricted by Donors		138,012
Restricted by Trust Agreements - Non-Expendable		497,644
Restricted by Trust Agreements - Expendable		394,218
Restricted by Community Development Loan/Grant Agreements		1,343,253
Total Governmental Activities:		2,453,987
Business-Type Activities:		
Restricted by Impact Fees Statute		2,417
Total Business-Type Activities		2,417
Total Restricted Net Position	$	2,456,404

5. Other Information

5.a. Pension Plan -VMERS

Plan description. The City contributes to the Vermont Municipal Employees' Retirement System (VMERS) which is a cost sharing multiple employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A Chapter 125. 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 Towns and the Vermont School Boards Association.

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.

Summary of System Provisions

Membership is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The City only has Group B and C members.

Creditable service is service as a member plus purchased service.

(continued)

5. Other Information (continued)

5.a. Pension Plan – VMERS (continued)

Benefits provided and contributions

	Group A	Group B	Group C	Group D
Avg Final Compensation (AFC)	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of 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
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	5 years of service
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
Disability Retirement Allowance				
Eligibility	5 years of service and disability as determined by Retirement Board			
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.			
Death Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.			
Post-Retirement Adjustments	Allowance in payment for at least one year, increased on each January 1 by one-half of the percentage increase in CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.5% effective 1/1/00	4.875% effective 7/1/15	9.625% eff. 7/1/14 and 9.75% eff. 1/1/15	11.25% effective 7/1/14
Employer Contributions	4%	6.5% effective 7/1/15	6.875% eff. 7/1/14 and 7% eff 1/1/15	9.75% effective 7/1/14
Retirement Stipend	$25 per month payable at the option of the Board of Retirees			

(continued)

5. Other Information (continued)

5.b. Property Taxes

Property taxes attach as an enforceable lien on property as of April 1. Taxes are levied on June 15 and are payable in four installments on August 15, November 15, February 15 and May 15. The City bills and collects its own property taxes and also taxes for the School District, Cemetery and education taxes for the State of Vermont. City property tax revenues are recognized when levied to the extent they result in current receivables.

The tax rate for fiscal year 2015-2016 was as follows:

		Residential		Non Residential
City, Cemetery and Outside Agencies	$	0.9354	$	0.9354
State Education Tax		1.6026		1.5813
Local Tax Agreements		0.0009		0.0009
Water/Sewer Benefit Charge		0.0900		0.0900
Recreation		0.0674		0.0674
Total	$	2.6963	$	2.6750

5.c. Risk Management

The City of Montpelier, Vermont is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Montpelier, Vermont maintains insurance coverage through the Vermont League of Cities and Town's (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 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.

5.d. Commitments

Parking Lot Leases

The City leases four different parking lots around Montpelier for approximately $100,443 per year. All are cancelable by the City. The City is responsible for the repair, maintenance and upkeep of the parking lots.

(continued)

5. Other Information (continued)
5.d. Commitments (continued)
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.

Operating Leases

The City has three 60-month leases for copiers with a monthly payment of $661 ending in October 2020, $296 ending in April 2018 and $169.70 ending in August 2017. The lease expense for the year ended June 30, 2016 was $13,520.

The minimum lease payments are as follows:

2016	$ 7,900
2017	7,932
2018	7,932
2019	7,932
2020	2,644
	$ 34,340

Solar Group Net Metering Agreements

Over the past two years City signed three "Solar Group Net Metering Agreements". The term of the agreements are 20 years with two (2) additional 5 year extensions, if elected by the City. The system owner plans to construct an array 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 system owner estimates that the systems will be installed between July, 2016 and August, 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 $.15 to $.25 per kWh. The initial service price, once all systems are installed will be $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.

5.e. Contingency – Health Care Benefits

Since January 1, 2012, the City offers a Blue Cross Blue Shield of Vermont high deductible plan with an employer funded Health Reimbursement Arrangement (HRA) to help employees pay for the deductible costs. All eligible employees who choose to participate are enrolled in the BlueCross BlueShield's CDHP Blue Consumer Directed Health Plan $4,000/$8,000. The City is responsible for $3,500 towards the maximum out-of-pocket health expenses for the single person plan. The City is responsible for $7,000 toward the maximum out-of-pocket health expenses for two person and family plans. In the first five 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, 2016 is $119,700.

(continued)

5. Other Information (continued)

5.e. Contingency – Health Care Benefits (continued)

When budgeting for the 2016 employee health insurance program costs, the City projected a use of 60% 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 $208,600. The risk of this overage is low based on the first five years' HRA experience and the funds available in the reserve fund.

5.f. Subsequent Events

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

Description	Amount	Interest Rate	Purpose
Tax anticipation note	$1,500,000	2.80%	General Operating Short Term Funding-Matures on June 30, 2017

The City has evaluated subsequent events through January 20, 2017, the date on which the financial statements were available to be issued.

CITY OF MONTPELIER, VERMONT
Combining and Individual Fund Balance Sheet
Other Governmental Funds
June 30, 2016

	Special Revenue Funds							Permanent Funds				
	Green Mount Cemetery Fund	Montpelier Parks Commission Fund	Montpelier Events Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	Montpelier Senior Citizens Fund	George Blanchard Trust Fund	Non-Expendable Cemetery Trust Fund	Hubbard Park Trust Fund	Expendable Cemetery Trust Fund	Total Other Governmental Funds
Assets:												
Cash	$ 0	$ 0	$ 0	$ 0	$ 2,837	$ 0	$ 68,856	$ 0	$ 0	$ 0	$ 0	$ 71,693
Investments	1,717	0	0	0	111,914	0	451,471	73,815	795,552	14,663	0	1,449,132
Receivables	8,838	3,321	1,037	0	0	0	494	0	0	0	0	13,690
Loans receivable	0	0	0	0	0	329,000	0	0	0	0	0	329,000
Prepaid Expenses	0	0	0	0	0	0	3,243	0	0	0	0	3,243
Due from other funds	6,656	37,366	25,905	38,201	0	141,057	65,695	0	0	0	394,218	709,098
Total assets	$ 17,211	$ 40,687	$ 26,942	$ 38,201	$ 114,751	$ 470,057	$ 589,759	$ 73,815	$ 795,552	$ 14,663	$ 394,218	$ 2,575,856
Liabilities, deferred inflows of resources, and fund balances												
Liabilities:												
Accounts payable	$ 7,746	$ 2,061	$ 7,399	$ 0	$ 50	$ 0	$ 11,150	$ 0	$ 0	$ 43	$ 0	$ 28,449
Accrued payroll and related expenses	1,375	1,348	0	0	0	0	4,081	0	0	0	0	6,804
Unearned grants	0	3,000	0	0	0	0	28,667	0	0	0	0	31,667
Unearned fees and charges for services	0	0	0	0	0	0	24,516	0	0	0	0	24,516
Interfund loans payable	0	0	0	0	0	0	144,760	0	0	0	0	144,760
Due to other funds	0	0	0	0	0	0	0	0	386,343	0	0	386,343
Total liabilities	9,121	6,409	7,399	0	50	0	213,174	0	386,343	43	0	622,539
Deferred inflows of resources:												
Unavailable revenue-loans receivable	0	0	0	0	0	329,000	0	0	0	0	0	329,000
Total deferred inflows of resources	0	0	0	0	0	329,000	0	0	0	0	0	329,000
Fund balances:												
Unspendable	0	0	0	0	0	0	0	73,815	409,209	14,620	0	497,644
Restricted	8,090	0	7,587	0	114,701	0	0	0	0	0	394,218	524,596
Committed	0	34,278	11,956	38,201	0	141,057	376,585	0	0	0	0	602,077
Total fund balances	8,090	34,278	19,543	38,201	114,701	141,057	376,585	73,815	409,209	14,620	394,218	1,624,317
Total liabilities, deferred inflows of resources, and fund balances	$ 17,211	$ 40,687	$ 26,942	$ 38,201	$ 114,751	$ 470,057	$ 589,759	$ 73,815	$ 795,552	$ 14,663	$ 394,218	$ 2,575,856

CITY OF MONTPELIER, VERMONT
Combining and Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds							Permanent Funds				
	Green Mount Cemetery Fund	Montpelier Parks Commission Fund	Montpelier Events Fund	Conservation Fund	Montpelier Foundation Fund	Montpelier Housing Trust Fund	Montpelier Senior Citizens Fund	George Blanchard Trust Fund	Non-Expendable Cemetery Trust Fund	Hubbard Park Trust Fund	Expendable Cemetery Trust Fund	Total Other Governmental Funds
Revenues:												
Intergovernmental	$ 0	$ 6,024	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 6,024
Fees and charges for services	43,574	0	0	245	0	0	115,858	0	7,560	0	0	167,237
Investment income (loss)	17	0	0	1,041	2,939	3,842	5,039	224	13,826	52	0	26,980
Contributions and private grants	0	1,800	4,037	0	0	0	123,116	0	0	0	0	128,953
Rents and commissions	0	13,200	0	0	0	0	6,179	0	0	0	0	19,379
Loan principal repayments	0	0	0	0	0	35,000	0	0	0	0	0	35,000
Other revenues	0	7,179	0	0	0	0	5,206	0	0	0	0	12,385
Total revenues	43,591	28,203	4,037	1,286	2,939	38,842	255,398	224	21,386	52	0	395,958
Expenditures:												
Culture and recreation	0	187,961	19,181	0	0	0	372,509	0	0	0	0	579,651
Community development	0	0	0	0	50	90,000	0	0	0	0	0	90,050
Cemetery	200,903	0	0	0	0	0	0	0	0	0	0	200,903
Debt service - interest	0	2,275	0	0	0	0	9,439	0	0	0	0	11,714
Total expenditures	200,903	190,236	19,181	0	50	90,000	381,948	0	0	0	0	882,318
Excess (deficiency) of revenues over expenditures	(157,312)	(162,033)	(15,144)	1,286	2,889	(51,158)	(126,550)	224	21,386	52	0	(486,360)
Other financing sources (uses):												
Transfers in	155,509	167,679	10,400	0	0	21,000	143,475	0	0	0	13,826	511,889
Transfers out	0	0	0	0	0	0	0	0	(13,826)	(52)	(27,000)	(40,878)
Total other financing sources (uses)	155,509	167,679	10,400	0	0	21,000	143,475	0	(13,826)	(52)	(13,174)	471,011
Extraordinary item:												
Bequest proceeds	0	0	0	0	0	0	105,192	0	0	0	0	105,192
Net change in fund balance	(1,803)	5,646	(4,744)	1,286	2,889	(30,158)	122,117	224	7,560	0	(13,174)	89,843
Fund balance - July 1, 2015	9,893	28,632	24,287	36,915	111,812	171,215	254,468	73,591	401,649	14,620	407,392	1,534,474
Fund balance - June 30, 2016	$ 8,090	$ 34,278	$ 19,543	$ 38,201	$ 114,701	$ 141,057	$ 376,585	$ 73,815	$ 409,209	$ 14,620	$ 394,218	$ 1,624,317

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
Last two fiscal years

	2015	2014
District's proportion of the net pension liability (asset)	2.8399%	2.9832%
District's proportionate share of the net pension liability (asset)	$2,189,454	$ 272,264
District's covered-employee payroll	$5,882,736	$ 5,935,366
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.22%	4.59%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%

SCHEDULE OF CITY'S CONTRIBUTIONS
VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
Last four fiscal years

	2016	2015	2014	2013
Contractually required contributions	$ 458,261	$ 396,977	$ 384,812	$ 374,544
Contributions in relation to the contractually required contribution	(458,261)	(396,977)	(384,812)	(374,544)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
District's covered-employee payroll	$6,535,724	$ 5,882,736	$ 5,935,366	$6,210,176
Contributions as a percentage of covered-employee payroll	7.012%	6.748%	6.483%	6.031%

Minutes of the Montpelier City Council Meeting
January 11, 2017, 6:30 PM
City Council Chambers, City Hall

In attendance: Mayor John Hollar (Chair), Councilors Justin Turcotte, Tom Golonka, Anne Watson, Dona Bate, Jean Olson, and Jessica Edgerly Walsh. City Clerk John Odum served as Secretary of the meeting.

The Mayor called the meeting to order at 6:30 PM.

17-003. Hearing no objection, the Chair declared the proposed agenda (wit the addition of minutes from meeting on the 9th to the consent agenda) approved by unanimous consent.

17-005. Councilor Turcotte moved approval of the consent agenda and was seconded by Councilor Bate. The motion carried unanimously at 6:31.

17-006. The Council discussed appointments to the Conservation Commission. Glennie Candidates Glennie Sewell and Page Guertin addressed the Council. Councilor Edgerly Walsh moved that the proposed slate of Roy Schiff to a 3-year term, Ben Eastwood to a 2-year term, Page Guertin to a 3-year term, and Glennie Sewell to a 1-year term as an alternate be approved. Councilor Olson seconded.

After a brief discussion, hearing no objection the underlying motion was amended (at Councilor Bate's request) to declare that the expiration date of each term would be February 12 (of the respective years). At 6:36, the motion (as amended) carried unanimously.

17-004. Net Zero Vermont announced that the voting period for the design contest had been extended to January 15.

17-007. Nat Frothingham and Carla Occaso of The Bridge offered a presentation on the value of the City Page budget line.

17-009. City Manager Fraser opened the budget presentation and subsequent discussion. Also participating were Police Chief Tony Facos, Planning Director Mike Miller, Finance Director Todd Provencher and Kate Stephenson from the Energy Committee.

After discussion, Councilor Edgerly Walsh moved approval of the budget framework as presented with proposed funding for a VISTA staffer in the Planning office instead allocated towards a regular staff position. Councilor Bate seconded. The motion carried unanimously at 8:06.

17-010. Planning Director Mike Miller came forward to participate in a discussion on a potential Tax Increment Financing (TIF) district. After discussion, Councilor Edgerly Walsh moved the city allocate money per the proposal attached to the agenda and brought through the Planning Department. Councilor Olson seconded. The motion carried unanimously at 8:18PM.

17-011. Chris Cox and Kurt Motyka of the Public Works Department, joined by Kate Stephenson and Geoff Fitzgerald from the energy committee came forward for a Fats, Oils and Grease (FOG) proposal briefing (a proposal to use these substances at the Waste Water Treatment Plant to generate energy).

Councilor Olson moved the Council approve issuing the RFQ to move the proposal forward and then return to the Council with results. Councilor Watson seconded the motion which carried unanimously at 8:44.

17-012. Councilor Watson had questions about the website and website maintenance.

Councilor Bate noted that State Representative Warren Kitzmiller has proposed a bill concern municipal control over public water supplies, and that he was now on the House Government Operations committee.

Councilor Olson reported on the Net Zero presentations, offering positive comments.

Councilor Turcotte congratulated Assistant City Manager Jessie Baker on her negotiations to contract with the city of Winooski for the position of City Manager. He also spoke positively about Front Porch Forum and asked about whether staff was taking advantage of the platform.

17-015. The City Manager initiated a brief discussion regarding proceeding on the discussion of his contract.

Assistant Manager Baker reported on a Black Lives Matter art presentation, and an associated upcoming discussion with Yvonne Byrd of the Community Justice Center facilitating, and that would include Police Chief Facos.

Hearing no objection, the Chair declared the meeting adjourned by acclaim at 8:52PM.

DRAFT

CITY COUNCIL Agenda Item #17-040
Date: January 26, 2017
Consent __ **Discussion** _x__ Time Sensitive ___
(outlined below)

SUBJECT: Consideration of a ballot item for David Budbill

SUBMITTING DEPARTMENT: Councilor Bate

RECOMMENDED ACTION: Discussion and consideration of a request that the City Council put the following Resolution on the March 7th ballot without requiring signatures.

Resolution Wording:
Be it hereby resolved that the City of Montpelier names the late David Budbill as "The People's Poet of Vermont."

RELATED COUNCIL GOAL/PRIOR ACTION: N/A

EXPENDITURE REQUIRED: N/A

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: N/A

BACKGROUND INFORMATION: Councilor Bate requested that this item be added to the agenda for consideration.

The Legislature will be offering a Resolution Honoring Budbill on February 3, and because Montpelier's resident professional theater company, Lost Nation Theater, will be presenting a new production of Budbill's signature play "Judevine" April 20-May 7.

Although Budbill is widely read and has received many honors, he was never named to be Vermont's Poet Laureate despite being nominated multiple times. This Resolution would provide Budbill, albeit posthumously, a public recognition richly deserved.

SUPPORTING DOCUMENTS: N/A

INTERESTED PARTIES: ----

CITY MANAGER'S APPROVAL: Wm Fraser

City of Montpelier vermont

CITY COUNCIL Agenda Item #17-034
Date: January 26, 2017
Consent ___ Discussion _x_

SUBJECT: Second Public Hearing on FY18 Budget

SUBMITTING DEPARTMENT: City Manager's Office

RECOMMENDED ACTION: Conduct the Second Public Hearing

RELATED COUNCIL GOAL/PRIOR ACTION: All goals relate to budget needs.

EXPENDITURE REQUIRED: None

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: City Council must approve a budget for submission to voters by January 26, 2017.

BACKGROUND INFORMATION: The City Council, City Manager and staff conducted workshops on December 14 and 21, 2016 and January 11, 2017 to prepare a budget recommendation for the voters. Council preliminarily approved the proposed budget on January 11th; the Draft Budget was posted to the City's website on January 17th; and the First Public Hearing was held on January 18th.

SUPPORTING DOCUMENTS: FY18 Budget Book

INTERESTED PARTIES: Residents, Taxpayers, City Staff

CITY MANAGER'S APPROVAL: Wfraser

CITY COUNCIL Agenda Item #17-037
Date: January 26, 2017
Consent __ Discussion __x__

SUBJECT: Presentation of FY 2016 Audit Report and Financial Statements

SUBMITTING DEPARTMENT: City Manager's and Finance Office

RECOMMENDED ACTION: Teresa Kajenski of Fothergill, Segale & Valley, CPAs will present the fiscal 2016 audit report

RELATED COUNCIL GOAL/PRIOR ACTION:

A: Keep Montpelier Affordable for residents
B: Maintain Excellent Services
D: Create and Maintain a Healthy Environment for Housing and Economic Growth
G: Achieve a Steady State for Infrastructure Maintenance and Improvements, Facilities and Equipment

EXPENDITURE REQUIRED: None

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: The Charter requires a "full record of expenditures be kept and a clear statement of all receipts and disbursement of City money". An audit is also required by external financing and regulatory agencies.

BACKGROUND INFORMATION: N/A

SUPPORTING DOCUMENTS: 2016 Financial Statements

INTERESTED PARTIES: City Council, Voters, City Staff

CITY MANAGER'S APPROVAL:

CITY COUNCIL Agenda Item #17-035
Date: January 26, 2017
Consent ___ Discussion _x_

SUBJECT: Kellogg-Hubbard Library Presentation

SUBMITTING DEPARTMENT: City Manager's Office

RECOMMENDED ACTION: Receive Presentation; Opportunity for Discussion

RELATED COUNCIL GOAL/PRIOR ACTION: N/A

EXPENDITURE REQUIRED: None

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: N/A

BACKGROUND INFORMATION: Tom McKone, Executive Director of the Kellogg-Hubbard Library, requested time on a Council agenda for he and one of the Library trustees to report/provide an update to the City Council.

SUPPORTING DOCUMENTS: None

INTERESTED PARTIES: Council, City Staff, Citizens

CITY MANAGER'S APPROVAL:

CITY COUNCIL Agenda Item #17-038
Date: January 26, 2017
Consent __ Discussion _x__ Time Sensitive ___
(outlined below)

SUBJECT: Discussion of Personnel Costs

SUBMITTING DEPARTMENT: City Manager's Office

RECOMMENDED ACTION: Receive proposal from the City Manager and take action.

RELATED COUNCIL GOAL/PRIOR ACTION:

A: "Keep Montpelier Affordable for Residents."
B: "Maintain Excellent Services."

EXPENDITURE REQUIRED: Staff time may be required.

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: N/A

BACKGROUND INFORMATION: The Council has had several conversations about exploring reducing the number of individuals employed by the City of Montpelier in order to reduce costs. The Manager will present a memo outlining options for a formal process to consider these and related questions.

SUPPORTING DOCUMENTS: The Manager's memo is forthcoming.

INTERESTED PARTIES: Council; Staff

CITY MANAGER'S APPROVAL:

City of Montpelier vermont

CITY COUNCIL Agenda Item #17-039
Date:
Consent __ Discussion _x_ Time Sensitive _x_
(outlined below)

SUBJECT: Receive, review and approve any Petitions filed for inclusion on the March 7, 2017 Annual City Meeting Warning

SUBMITTING DEPARTMENT: Clerk

RECOMMENDED ACTION: Pass motion to approve any Petitions as part of the motion to approve March 7, 2017 Annual City Meeting Warning

RELATED COUNCIL GOAL/PRIOR ACTION: Annual pre-City Meeting action

EXPENDITURE REQUIRED: N/A

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: Statutory requirement that this document be finalized and approved 40 days prior to Town Meeting

BACKGROUND INFORMATION: First Public Hearing of the Warning was held on January 18, 2017.

SUPPORTING DOCUMENTS: Will be presented at meeting by Clerk, if there are any further Petitions filed beyond what was included on the first draft of the warning

INTERESTED PARTIES: City Council, City staff and voters

CITY MANAGER'S APPROVAL: Wfraser

City of Montpelier vermont

CITY COUNCIL Agenda Item #17-036
Date: January 26, 2017
Consent ___ Discussion _x_

SUBJECT: School Board Presentation

SUBMITTING DEPARTMENT: City Manager's Office

RECOMMENDED ACTION: Receive Presentation; Opportunity for Discussion

RELATED COUNCIL GOAL/PRIOR ACTION: N/A

EXPENDITURE REQUIRED: None

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: N/A

BACKGROUND INFORMATION: None

SUPPORTING DOCUMENTS: School staff will provide

INTERESTED PARTIES: Council, City Staff, Voters

CITY MANAGER'S APPROVAL: W. Fraser

City of Montpelier vermont

CITY COUNCIL Agenda Item #17-041
Date: January 26, 2017
Consent ___ Discussion _x_

SUBJECT: Second Public Hearing on Annual City Meeting Warning

SUBMITTING DEPARTMENT: City Manager's Office

RECOMMENDED ACTION: Review the City Meeting Warning

RELATED COUNCIL GOAL/PRIOR ACTION:

A) Keep Montpelier Affordable
B) Maintain Excellent Services
C) Maintain a Safe Community
D) Create and Maintain a Healthy Environment for Housing and Economic Growth
E) Maintain a Healthy Community
F) Maintain a Vibrant Downtown
G) Achieve a Steady State for Infrastructure Maintenance and Improvements, Facilities and Equipment
H) Maintain a Clean and Healthy Natural Environment

EXPENDITURE REQUIRED: None

SOURCE OF FUNDS: N/A

LEGAL REQUIREMENTS: City Council approves the Annual City Meeting Warning for presentation to the voters.

BACKGROUND INFORMATION: None

SUPPORTING DOCUMENTS: Proposed Final Version of the Warning

INTERESTED PARTIES: Council, Residents, Community Members, Outside Agencies, Staff

CITY MANAGER'S APPROVAL: