

Audited Financial Statements  
and Other Financial Information

**City of Winooski, Vermont**

June 30, 2019



*Proven Expertise & Integrity*

CITY OF WINOOSKI, VERMONT

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JUNE 30, 2019

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## INDEPENDENT AUDITORS' REPORT

City Council  
City of Winooski  
Winooski, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Winooski, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Winooski, Vermont's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

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

### Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Winooski, Vermont as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 14 and 65 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the

underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 23, 2019 on our consideration of the City of Winooski, Vermont's internal control over financial reporting and on 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 the 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 of Winooski, Vermont's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
December 23, 2019

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**(UNAUDITED)**

This document will serve as a narrative overview and analysis of the financial operations of the City of Winooski for the fiscal year ended June 30, 2019. This information is to be considered in conjunction with the financial statements and accompanying notes that follow.

**Overview**

The City continues to operate from a strong financial position as a result of conservative budgeting and strategic investment. Winooski, in comparison to many other Vermont communities, is seeing active development and in-migration. This development will lead to positive grand list growth over the next year and into the future. With this growth and associated strategic investments in the city, we are poised to continue to fund the operating budget to ensure that we provide high quality municipal services and are able to invest in the City's infrastructure.

This discussion and analysis is intended to serve as an introduction to the City of Winooski's basic financial statements. The financial statements have three main components – government-wide presentation, fund presentation and notes to the financial statements.

Government Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Winooski finances in a way that is more commonly associated with private sector businesses.

The statement of net position presents information on all of the City's assets and liabilities with the difference being reported as net position. Increases or decreases in net position may serve as an indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information demonstrating how the net position changed during the year. All changes to net position are reported as soon as the event giving rise to the change occurs, regardless of the timing of cash flows. This means that revenues and expenses reported in this statement may be for events that will happen in the future such as earned but unused time off for staff or uncollected property taxes.

These government-wide financial statements present separately the functions of the City that are primarily supported by taxes and other intergovernmental revenue, governmental activities, from those that are intended to recover all or most of their costs from user fees and charges, business-type activities. The governmental activities of the City of Winooski include general government, public safety, public works, recreation, parks, community services, rental registry and public improvements. The business-type activities include the water, water pollution control (sewer) and parking operations.

The government-wide financial statements include not only the City itself (referred to as the primary government), but also to other legally separate entities for which the City is financially accountable (referred to as component units). During the current year, the City was responsible for the Winooski Community Development Trust that qualified as a component unit.

The government-wide financial statements can be found in Exhibits A and B of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Towns and governments use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds can be divided into one of three categories: governmental, proprietary, or fiduciary.

Governmental funds are used to account for essentially the same functions as reported in the governmental activities section of the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and the balances of spendable resources available at the end of a fiscal year. This information is useful when evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements so it can be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. This can give the reader a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to ease the comparison between governmental funds and governmental activities.

The City of Winooski maintains eight governmental funds including the General Fund, one Capital Fund and six Special Revenue Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, TIF Downtown Fund, Community Development Loan Fund and City Capital Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated classification. The basic governmental fund financial statements can be found in Exhibits C through E of this report. Individual fund data for each non-major governmental fund is provided in the form of combining statements in supporting Schedules 4 and 5.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided in Schedule 3 for the purpose of demonstrating compliance with the duly appropriated budget.



The City of Winooski maintains the proprietary type fund known as an enterprise fund for the Water Fund, Water Pollution Control (Sewer) Fund and Parking Fund. An enterprise fund is used to report the same function presented in the government-wide financial statements and they provide the same type of information in more detail. The proprietary fund financial statements provide separate information for the Water Fund, Water Pollution Control (Sewer) Fund and Parking Fund all of which are considered to be major funds for the City. The basic proprietary fund financial statements can be found in Exhibits F through H of this report. The Parking Fund is made up of two distinct operational centers, the Parking Garage and On Street Meters. There are bond covenant requirements that apply to the operations of the parking garage and in order to provide separate financial information for these departments their individual data is provided in the form of combining statements in Schedules 6 and 7.

Fiduciary funds are used to account for resources held by the City for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support government programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has no fiduciary funds for the fiscal year ended June 30, 2019.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes serve to explain, clarify and expand upon the financial data presented in the financial statements and provide some additional information. The notes to the financial statements can be found immediately following the basic financial statements in this report.

#### Other Information

In addition to the basic financial statements and notes this report presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes budgetary comparison statements, information on changes in the net pension liability, employer contributions to pension, and investment returns, and combining statements for various funds. The supplementary information can be found immediately following the notes to the financial statements in this report.

## Government-wide Financial Analysis

### Summary Statement of Net Position

	<u>2019</u>			<u>2018</u>		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current & Other Assets	\$ 5,984,544	3,288,503	9,273,047	\$ 6,755,051	3,063,920	9,818,971
Noncurrent Assets	24,177,782	22,415,241	46,593,023	25,076,800	22,285,408	47,362,208
<b>Total Assets</b>	<b>\$ 30,162,326</b>	<b>25,703,744</b>	<b>55,866,070</b>	<b>\$ 31,831,851</b>	<b>25,349,328</b>	<b>57,181,179</b>
<b>Deferred Outflow of Resources</b>	<b>\$ 1,323,725</b>	<b>74,379</b>	<b>1,398,104</b>	<b>\$ 1,320,998</b>	<b>53,958</b>	<b>1,374,956</b>
Current Liabilities	\$ 1,067,077	370,203	1,437,280	\$ 1,186,678	275,826	1,462,504
Noncurrent Liabilities	17,146,927	1,791,276	18,938,203	18,928,432	1,271,841	20,200,273
<b>Total Liabilities</b>	<b>\$ 18,214,004</b>	<b>2,161,479</b>	<b>20,375,483</b>	<b>\$ 20,115,110</b>	<b>1,547,667</b>	<b>21,662,777</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 64,281</b>	<b>7,417</b>	<b>71,698</b>	<b>\$ 112,685</b>	<b>11,046</b>	<b>123,731</b>
Net Investment in Capital						
Assets	\$ 9,521,092	21,090,443	30,611,535	\$ 8,392,804	21,495,473	29,888,277
Restricted	3,242,154	123,648	3,365,802	3,812,874	136,647	3,949,521
Unrestricted	444,520	2,395,136	2,839,656	719,376	2,212,453	2,931,829
<b>Total Net Position</b>	<b>\$ 13,207,766</b>	<b>23,609,227</b>	<b>36,816,993</b>	<b>\$ 12,925,054</b>	<b>23,844,573</b>	<b>36,769,627</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Winooski, assets exceeded liabilities by \$36,816,993 at the close of the most recent fiscal year.

By far the largest portion of the City of Winooski's net position (83.14%) reflects its investment in capital assets including land, buildings, equipment and infrastructure less any related debt that is still outstanding used to acquire those assets. The City of Winooski uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the City of Winooski's investment in capital assets is reported net of related debt it should be noted that the resources to repay this debt must be provided by other sources since the capital assets themselves cannot be used to as payment on these liabilities in most cases.

An additional portion of the City of Winooski's net position (9.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,839,656) may be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net position are amounts that management has assigned for particular purposes such as capital reserves, programs and expenditures in subsequent years.

At the end of the current fiscal year, the City of Winooski was able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true in the prior fiscal year.

### Summary Statement of Activities

	<u>2019</u>			<u>2018</u>		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 2,394,894	3,143,933	5,538,827	\$ 2,598,825	2,863,400	5,462,225
Operating Grants & Contributions	229,804	1,633	231,437	259,188	20,141	279,329
Capital Grants & Contributions	154,731	16,804	171,535	4,887	8,640	13,527
General Revenues						
Property Taxes and Penalty	8,194,733	-	8,194,733	7,385,562	-	7,385,562
Unrestricted Investment Earnings	33,025	16,656	49,681	19,628	3,165	22,793
Other Revenues	34,470	-	34,470	65,985	-	65,985
<b>Total Revenues</b>	<b>\$ 11,041,657</b>	<b>3,179,026</b>	<b>14,220,683</b>	<b>\$ 10,334,075</b>	<b>2,895,346</b>	<b>13,229,421</b>
<b>Expenses</b>						
General Government	1,807,130	-	1,807,130	1,433,676	-	1,433,676
Public Safety	3,458,516	-	3,458,516	3,388,979	-	3,388,979
Public Works	2,494,444	-	2,494,444	2,079,906	-	2,079,906
Culture & Recreation	873,125	-	873,125	832,786	-	832,786
Community Development	1,437,867	-	1,437,867	333,243	-	333,243
Interest on Long Term Debt	798,060	-	798,060	861,397	-	861,397
Water	-	890,956	890,956	-	917,335	917,335
Sewer	-	1,262,224	1,262,224	-	1,172,837	1,172,837
Parking	-	1,150,995	1,150,995	-	1,043,183	1,043,183
<b>Total Expenses</b>	<b>\$ 10,869,142</b>	<b>3,304,175</b>	<b>14,173,317</b>	<b>\$ 8,929,987</b>	<b>3,133,355</b>	<b>12,063,342</b>
Change in Net Position Before Transfers	\$ 172,515	(125,149)	47,366	\$ 1,404,088	(238,009)	1,166,079
Transfers	110,197	(110,197)	-	152,083	(152,083)	-
Change in Net Position	\$ 282,712	(235,346)	47,366	\$ 1,556,171	(390,092)	1,166,079
Net Position - Beginning of Year	12,925,054	23,844,573	36,769,627	11,368,883	24,234,665	35,603,548
<b>Net Position - End of Year</b>	<b>\$ 13,207,766</b>	<b>23,609,227</b>	<b>36,816,993</b>	<b>\$ 12,925,054</b>	<b>23,844,573</b>	<b>36,769,627</b>

### Governmental Activities

Governmental activities increased the City of Winooski's net position by \$282,712 during the current fiscal year. Net investment in capital assets, net of related debt, increased by \$1,128,288. This increase resulted from the net effect of a decrease as a result of depreciation exceeding capital outlays, an increase as a result of principal payments on long term bonds and notes, and new debt issuance. Restricted net position decreased by \$570,720 primarily due to

use of reserves to make payments on the Downtown Project Debt Service during the fiscal year. Unrestricted net position decreased by \$274,855 as a result the assignment of previously unrestricted balances to projects by the City Council.

### Business-type Activities

Business-type activities decreased the City of Winooski's net position by \$235,346 during the current fiscal year. This was influenced by the all of these funds making use of reserves to complete capital projects including parking garage structural repairs, geotechnical work at 17 Abenaki Way for a future parking garage location, Hickok Street preliminary engineering for water line replacement, the natural gas generator installation at the Wastewater Plant and the Pine Grove Terrace stormwater retention pond upgrades. Restricted net position decreased by \$12,999 due to the use of aid in expansion reserves of the wastewater/sewer fund to slip line sanitary sewers and manholes to reduce storm water infiltration exceeding the new aid in expansion fees paid for development in the current fiscal year.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Winooski uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

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

At the end of the current fiscal year the City of Winooski's governmental funds reported combined ending fund balances of \$3,384,869, an increase of \$66,374 in comparison to the prior year. Of this total amount \$229,600 is nonspendable (prepaid expenses and inventory) and \$1,312,462 is restricted to indicate it is not available for discretionary spending. These restrictions are generated by external sources including grant agreements, statutes, or bond covenants. Of the remaining amount \$1,117,848 has been assigned for various purposes but may be reassigned at the option of the governing body. The remaining \$724,959 is unassigned and available for spending at the governing body's discretion.

The general fund is the chief operating fund of the City of Winooski. At the end of the current fiscal year unassigned balance in the general fund was \$724,959 and assigned balances were \$690,047. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers. Unassigned fund balance represents 9.60% of the general fund expenditures and transfers, while total fund balance represents 22.26% of the same amount.

The fund balance of the City of Winooski's general fund decreased by \$174,741 during the current fiscal year. Key factors in this change are as follows:

- Council assignment of \$178,694 of previously unassigned balances to capital projects which was transferred to the City Capital Reserve Fund.
- Council approved payment of \$54,500 to the Downtown Winooski, Inc. to allow the entity to hire an executive director.
- Council approved use of \$11,000 from previous unassigned balances for equity training for staff.
- Increasing development in the City as a result of new zoning in the gateway districts and streamlined permitting processes resulted in collection of \$41,100 more in permit fees than anticipated in the budget
- A change in the calculated interest on the general fund checking account resulting in \$16,157 in additional investment income than anticipated

Special revenue funds consist of the City of Winooski TIF Downtown Fund, Community Development Loan Fund, the O'Brien Community Center, Justice Center Grant Fund, JAG Fund and Asset Forfeiture Fund. The TIF Downtown funds are restricted by bond covenants and state statute. The Community Development Loan Fund is restricted by grant close-out agreements. The O'Brien Community Center is restricted by outside donors. The Justice Center and JAG funds are restricted by grant agreement. The Asset Forfeiture funds are restricted by Federal regulations.

The City's TIF district, created by legislation in 2000, has seen significant development as a result of the public investment in downtown parking, streets, sidewalks, water, sewer and storm water systems. Revenues are generated from the tax increment in the downtown TIF district. The base tax values from the original properties remain in the General Fund and the increment funds the expenses within this Fund. Additional revenues come from 98% of the Education taxes collected from that same base, ground leases, land sales and parking revenue in excess of the cost of the parking garage operating and maintenance needs. The municipal debt continues to be paid down by the tax increment collected. During fiscal year 2019 as a part of a litigation settlement the City waived all claims on the outstanding balance of \$1,021,874 ground lease payments in exchange for payment in full of outstanding payments in lieu of taxes and sale of the ground lease. We continue to experience delays in development of the last remaining parcels in the district. The City issued a request for proposals for the development of 17 Abenaki Way to move the process along. Additionally, while the City has seen delays in the development of the few remaining parcels in the district, we are in active talks with property owners and other developers to plan for the full build out of the TIF district. With progress made on these efforts, the District will generate enough revenue to retire the debt as scheduled.

The Community Development Loan Fund saw minimal activity during the current fiscal year. There are two active loans that are continuing to be repaid with administrative fees for the program covered by these funds. No new loans were granted by the Housing Improvement Program of this fund. The Winooski Small Business Loan Program has been established and two loans have been awarded totaling \$25,500.

The O'Brien Community Center continues to be an important gathering place in the community. However, current market and agreement-based rents cannot cover the operations and debt costs. When the Center was built, commitments were made that the building would generate enough revenue to pay its costs and provide the City with enough revenue to make up for the taxes lost when the building was in private hands. This has not been the case and is not likely in the foreseeable future. As revenues are not covering the cost of operations and at the recommendation of our Auditors this service area was moved into the General Fund effective with the 2019 fiscal year. In fiscal year 2019, this special revenue fund used the remaining \$65,665.71 in reserves to cover the gap between operating costs and the rental revenue of the Center reducing the balance restricted by donors to \$0.

The Community Justice Center is primarily funded through a grant from the State Department of Corrections and provides important services to the residents of Winooski. This fiscal year was the first year of a multi-year award from the Vermont Department of Corrections. Due to payments from partner agencies participating in training held by the City and a hiring freeze from the grantor agency, a surplus of \$11,422 was carried forward into the new fiscal year. The City continues to work with our state government and regional partners to ensure these programs continue.

The JAG grants are only used for equipment purchased using grant funds. In general, revenues and expenses should be equal for this fund. In fiscal year 2019 we used the funds to purchase a LIDAR unit and a radar speed sign to assist with traffic patrols.

The Asset Forfeiture fund revenues are received primarily as proportionate shares of cases worked by the Winooski Police. These funds may only be used for items that supplement our Police Department and may not be used to supplant any funding provided by the general government. The City primarily uses these funds for criminal investigations or additional training capacity.

The City of Winooski maintains a single Capital Fund for governmental capital projects. The projects for this fund are approved on an annual basis by the governing body of the City. Major projects completed during the fiscal year included rehabilitation of the railings on the Burlington Winooski Bridge, the conversion of the City IT to a cloud-based server and the completion of final design for the Myers Memorial Pool. Debt repayments are currently included within the Capital Fund.

### Proprietary Funds

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

Unrestricted net position totaled \$613,163 for the Water Fund, \$872,469 for the Sewer Fund and \$909,504 for the Parking Fund. The change in net position for Water was a decrease of \$36,498, for Sewer a decrease of \$184,017 and for Parking a decrease of \$14,830. Other factors concerning the finances of these funds have already been addressed in the discussion of business-type activities.

## **General Fund Budgetary Highlights**

The detailed general fund budget approved by voters as adjusted by Council and Manager is reflected in Schedule 3. The actual expenditures from this budgetary comparison differ from those reported as general fund in the fund financial statements due to the combining of some other programs supported by fees with the general fund for financial reporting purposes. The fund balance for these programs are reported in the fund financial statements as assigned balances. The programs combined with the General Fund for reporting purposes include the operating reserve, reimbursable activities, public art program, community service programs, community development, rental registry program and hazmat reserve.

Differences between budgeted and actual amounts for the General Fund as approved by voters and as amended by Council and Manager can be summarized as follows:

- Approximately \$43,900 in additional permits were received during the year as part of increasing development in the City
- Additional investment income of \$16,157 from due to changes in interest rates on the general fund checking account.
- Insurance refunds and reimbursements of \$10,500 were received but unbudgeted
- Receipt of unbudgeted grant revenues totaling \$78,814 was received to fund the development of the municipal plan, wayfinding and the offset employee costs to run the homework help program and police occupant protection and DUI checkpoints
- Additional Worker's Compensation costs of \$33,651 for the fire department following an audit of the 2018 payroll audit
- Additional wage and benefits costs of \$53,260 in the police department due to staff turnover requiring payout of accrued time and coverage of the vacancy with overtime.
- City Council approved the use of \$11,000 in FY18 reserves by the Administrative Department for staff equity training.
- City Council approved the use of \$54,497 in FY18 reserves to be paid from the Regional Programs department to Downtown Winooski, Inc to aid in the hiring of an executive director for the organization.
- City Council approved an additional transfer of \$178,694 of FY18 reserves to the Capital Fund

## **Capital Asset and Debt Administration**

### Capital Assets

The City of Winooski's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totaled \$30,611,535 net of accumulated depreciation and related debt. This net investment in capital assets includes land, buildings and improvements, vehicles and equipment, roads, bridges and other infrastructure, water and wastewater distribution and collection systems, the parking garage and construction in progress. The net investment in

capital assets increased by 13.44% for governmental activities and decreased 1.88% for business-type activities.

Major capital asset projects completed during the fiscal year included the following:

- Construction of a garage at the Wastewater Treatment Plant \$352,663
- Installation of a natural gas generator at the Wastewater Treatment Plant \$150,152; plus \$42,355 in FY18 work in progress
- Rehab of the Burlington/Winooski Bridge Rails \$172,036
- Completion of a Cloud Server solution to connect all City facilities and staff to the same network \$65,245

Investment in Capital Assets

	<u>2019</u>			<u>2018</u>		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 1,709,520	647,573	2,357,093	\$ 2,241,446	647,573	2,889,019
Building and Improvements	6,667,271	-	6,667,271	6,625,318	-	6,625,318
Vehicles, Machinery, and Equipment	3,885,092	1,873,478	5,758,570	3,692,548	1,866,204	5,558,752
Infrastructure	33,823,425	-	33,823,425	33,618,889	-	33,618,889
Distribution and Collection Systems	-	19,098,115	19,098,115	-	18,468,069	18,468,069
Parking Garage	-	15,284,213	15,284,213	-	15,284,213	15,284,213
Construction in Progress	539,056	683,370	1,222,426	178,512	382,655	561,167
<b>Total Assets</b>	<b>\$ 46,624,364</b>	<b>37,586,749</b>	<b>84,211,113</b>	<b>\$ 46,356,713</b>	<b>36,648,714</b>	<b>83,005,427</b>

Additional information on the City of Winooski’s investment in capital assets can be found in note IV.D. of the notes to the financial statements

Long Term Debt

At the end of the current year, the City of Winooski had total long-term debt outstanding of \$17,109,715. Of this amount \$12,632,658 is TIF related debt that is to be repaid using the tax increment generated by properties within the district and any other related revenues as specified in the bond and promissory notes.

The City of Winooski’s total debt decreased by \$1,634,392 during the year, reflecting repayments on existing debt of \$2,607,407, new bond debt of \$888,365 for a pool BAN, Wastewater garage construction, headworks facility and Main Street preliminary engineering and new capital lease debt of \$84,650 for the purchase of the fingerprint scanner, new police administrative vehicle and fire command vehicle.

State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. The debt limit in fiscal year 2019 for the City of Winooski was \$5,681,406,270 which is significantly in excess of the City’s outstanding bonded debt.

Bonds are issued through the Vermont Municipal Bond Bank. The City issues no bonded debt on its own behalf and does not maintain its own credit rating.



Additional information regarding the long-term debt of the City can be found in note IV.G. of the notes to the financial statements.

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

- 2% COLA estimated in FY21.
- FY20 budget was built assuming a 2% COLA which actually came out as 1.5%
- Public Works union contract was recently settled including a tiered COLA plan and a tiered COLA plan was previously adopted for the Police union contract
- Health insurance increasing by 10.4% for January 2020
- Modest Grand List growth of .8%

All of these factors were considered in the preparation of the City of Winooski's budget for the 2021 fiscal year.

The City of Winooski approved a general fund budget for fiscal year 2020 in the amount of \$7,303,506. This represents an increase of \$605,517 or 9.04% over the approved budget for the previous year. Of this increase \$458,223 or 5% is directly attributable to the voter approved capital projects for the Winooski Pool Reconstruction and Main Street Revitalization. Additional revenue, other than taxes, generated local option tax approved by voters in March 2019 was added for \$277,019 to offset the additional expenses. The budget for the general fund does not include the budgets for programs supported by fees, special revenue funds, or proprietary funds. City Council approved rate increases for the Water Fund from \$38.67 to \$39.64 per 1000cf with a minimum bill of 500cf, for the Wastewater Fund from \$48.57 to \$50.03 per 1000cf and the Parking Fund increases were limited to those outlined in existing contracts.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Winooski, Vermont's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Winooski, 27 West Allen Street, Winooski, VT 05404.

## STATEMENT A

## CITY OF WINOOSKI, VERMONT

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Winooski Community Development Trust
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,225,810	\$ 1,020,074	\$ 6,245,884	\$ -
Receivables (Net of Allowance for Uncollectibles)	172,567	646,043	818,609	-
Notes Receivable	1,966,488	-	1,966,488	1,098,000
Interest Receivable	-	-	-	483,300
Prepaid Expenses	228,771	12,466	241,237	-
Inventory	829	-	829	-
Internal Balances	(1,609,921)	1,609,921	0	-
Capital Assets				
Land	1,709,520	647,573	2,357,093	-
Construction in Progress	539,056	683,370	1,222,426	-
Other Capital Assets, (Net of Accumulated Depreciation)	21,929,206	21,084,298	43,013,504	-
Total Assets	\$ 30,162,326	\$ 25,703,745	\$ 55,866,070	\$ 1,581,300
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Bond Refunding Costs, Net of Amortization	\$ 709,753	\$ -	\$ 709,753	\$ -
Deferred Outflow - Pension Participation in VMERS	613,972	74,379	688,351	-
Total Deferred Outflows of Resources	\$ 1,323,725	\$ 74,379	\$ 1,398,104	\$ -
<b>LIABILITIES</b>				
Accounts Payable	\$ 362,839	\$ 252,091	\$ 614,930	\$ -
Accrued Payroll and Benefits Payable	163,051	-	163,051	-
Unearned Revenue	6,560	113,402	119,962	-
Accrued Interest Payable	51,327	4,710	56,037	-
Accrued Interest Payable - Component Unit	483,300	-	483,300	-
Noncurrent Liabilities:				
Unearned Revenue	-	276,923	276,923	-
Net Pension Liability	1,147,960	139,068	1,287,028	-
Note Payable - Component Unit	1,098,000	-	1,098,000	-
Due within One Year	2,228,262	208,534	2,436,796	-
Due in More than One Year	12,672,705	1,166,750	13,839,455	-
Total Liabilities	\$ 18,214,004	\$ 2,161,479	\$ 20,375,482	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid Property Taxes	\$ 3,057	\$ -	\$ 3,057	\$ -
Deferred Inflow - Pension Participation in VMERS	61,224	7,417	68,641	-
Total Deferred Inflows of Resources	\$ 64,281	\$ 7,417	\$ 71,698	\$ -
<b>NET POSITION</b>				
Net Investment in Capital Assets	9,521,092	21,090,444	30,611,535	-
Restricted For:				
Downtown Project and Debt Service	2,128,819	-	2,128,819	-
Community Development	1,043,228	-	1,043,228	1,581,300
Public Safety	70,107	-	70,107	-
Sewer Expansion	-	123,648	123,648	-
Unrestricted	444,520	2,395,136	2,839,656	-
Total Net Position	\$ 13,207,766	\$ 23,609,227	\$ 36,816,993	\$ 1,581,300

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

CITY OF WINOOSKI, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Winooski Community Development Trust	
					Governmental Activities	Business-Type Activities		Total
<b>Functions/Programs:</b>								
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 1,807,130	387,973	-	-	\$(1,419,157)	\$-	\$(1,419,157)	-
Public Safety	3,458,516	477,174	143,287	-	(2,838,055)	-	(2,838,055)	-
Public Works	2,494,444	286,830	0	154,731	(2,052,883)	-	(2,052,883)	-
Culture and Recreation	873,125	413,653	66,516	-	(392,956)	-	(392,956)	-
Community Development	1,437,867	829,264	20,000	-	(588,603)	-	(588,603)	-
Interest on Long-term Debt	798,060	-	-	-	(798,060)	-	(798,060)	-
<b>Total Governmental Activities</b>	<b>10,869,142</b>	<b>2,394,894</b>	<b>229,803</b>	<b>154,731</b>	<b>(8,089,714)</b>	<b>-</b>	<b>(8,089,714)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water	890,956	847,052	535	-	-	(43,368)	(43,368)	-
Sewer	1,262,223	1,050,518	1,098	16,804	-	(193,804)	(193,804)	-
Parking Garage	1,150,995	1,246,362	-	-	-	95,368	95,368	-
<b>Total Business-Type Activities</b>	<b>3,304,174</b>	<b>3,143,933</b>	<b>1,633</b>	<b>16,804</b>	<b>-</b>	<b>(141,804)</b>	<b>(141,804)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 14,173,316</b>	<b>\$ 5,538,827</b>	<b>\$ 231,436</b>	<b>\$ 171,535</b>	<b>\$ (8,089,714)</b>	<b>\$ (141,804)</b>	<b>\$ (8,231,518)</b>	<b>\$ -</b>
<b>Component Unit:</b>								
Winooski Community Development Trust	\$ 150,000	-	-	-	-	-	-	(150,000)
	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
Property Taxes					8,179,794	-	8,179,794	-
Interest and Penalties on Delinquent Taxes					14,939	-	14,939	-
Unrestricted Investment Earnings					33,025	16,656	49,681	-
Other Revenues					34,470	-	34,470	76,860
Interfund Transfers					110,197	(110,197)	-	-
<b>Total General Revenues and Transfers</b>					<b>8,372,425</b>	<b>(93,541)</b>	<b>8,278,884</b>	<b>76,860</b>
					282,712	(235,345)	47,366	(73,140)
					12,925,054	23,844,573	36,769,627	1,654,440
					<u>\$ 13,207,766</u>	<u>\$ 23,609,228</u>	<u>\$ 36,816,994</u>	<u>\$ 1,581,300</u>

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

## CITY OF WINOOSKI, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Major Funds				Nonmajor Funds	Total
	General Fund	TIF Downtown Fund	Community Development Loan Fund	City Capital Reserve Fund	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 3,650,767	\$ 970,770	\$ 601,093	\$ -	\$ 3,180	\$ 5,225,810
Receivables (Net of Allowance for Uncollectibles)	165,067	-	-	7,500	-	172,567
Prepaid Expenses	228,719	-	-	-	52	228,771
Inventory	829	-	-	-	-	829
Due from Other Funds	-	-	400	564,734	67,365	632,499
Notes Receivable (Net of Allowance)	-	1,500,000	466,488	-	-	1,966,488
<b>TOTAL ASSETS</b>	<b>\$ 4,045,382</b>	<b>\$ 2,470,770</b>	<b>\$ 1,067,980</b>	<b>\$ 572,234</b>	<b>\$ 70,597</b>	<b>\$ 8,226,964</b>
<u>LIABILITIES</u>						
Accounts Payable	\$ 189,698	\$ 3,465	\$ 24,752	\$ 144,433	\$ 490	\$ 362,839
Accrued Payroll and Payroll Taxes	163,051	-	-	-	-	163,051
Due to Other Funds	1,903,935	338,486	-	-	-	2,242,420
Unearned Revenue	6,560	-	-	-	-	6,560
<b>Total Liabilities</b>	<b>2,263,243</b>	<b>341,951</b>	<b>24,752</b>	<b>144,433</b>	<b>490</b>	<b>2,774,869</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	3,057	-	-	-	-	3,057
Unavailable Property Taxes, Penalties and Interest	37,717	-	-	-	-	37,717
Unavailable Receivables	59,964	1,500,000	466,488	-	-	2,026,451
Unavailable Grant Revenue	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>100,738</b>	<b>1,500,000</b>	<b>466,488</b>	<b>-</b>	<b>-</b>	<b>2,067,226</b>
<u>FUND BALANCES</u>						
Nonspendable	229,548	-	-	-	52	229,600
Restricted	36,847	628,819	576,740	-	70,055	1,312,462
Assigned	690,047	-	-	427,801	-	1,117,848
Unassigned	724,959	-	-	-	-	724,959
<b>Total Fund Balances</b>	<b>1,681,401</b>	<b>628,819</b>	<b>576,740</b>	<b>427,801</b>	<b>70,107</b>	<b>3,384,869</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,045,382</b>	<b>\$ 2,470,770</b>	<b>\$ 1,067,980</b>	<b>\$ 572,234</b>	<b>\$ 70,597</b>	

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

## CITY OF WINOOSKI, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

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.	24,177,781
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Funds	2,064,169
Deferred Outflows and Inflows of Resources Related to the City's Participation in VMERS are applicable to Future Periods and Therefore, are not Reported in the Funds	552,748
Unamortized Bond Refunding Costs are not Financial Resources and Therefore, are not Reported in the Funds	709,753
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	<u>(17,681,554)</u>
Net Position of Governmental Activities	<u>\$ 13,207,766</u>

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

## CITY OF WINOOSKI, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds				Nonmajor Funds	Total
	General Fund	TIF Downtown Fund	Community Development Loan Fund	City Capital Reserve Fund	Other Governmental Funds	
Revenue:						
Property Taxes/PILOT	\$ 5,468,414	\$ 2,711,368	\$ -	\$ -	\$ -	\$ 8,179,782
Charges for Services	533,656	-	-	-	-	533,656
Investment Income	23,936	102,514	325	-	-	126,775
Intergovernmental	193,191	-	-	333,772	173,097	700,060
Fees, Fines and Forfeits	279,101	-	-	-	-	279,101
Rent & Lease Income	230,594	25,135	-	-	-	255,729
Licenses & Permits	17,673	-	-	-	-	17,673
Donations	4,279	-	-	-	-	4,279
Loan Repayments	-	-	5,033	-	-	5,033
Cascade Unit Sales Profit Sharing	-	-	-	-	-	-
Other	342,507	1,050,000	-	15,760	980	1,409,247
<b>Total Revenue</b>	<b>7,093,351</b>	<b>3,889,017</b>	<b>5,358</b>	<b>349,532</b>	<b>174,077</b>	<b>11,511,336</b>
Expenditures:						
General Government	1,026,442	156,666	-	33,060	-	1,216,168
Public Safety	2,281,829	-	-	-	152,954	2,434,783
Public Works	535,695	-	-	255,793	-	791,488
Culture & Recreation	531,187	-	-	-	-	531,187
Public Buildings & Facilities	560,206	-	-	11,698	-	571,903
Employee Benefits	1,374,311	-	-	-	-	1,374,311
Regional Programs	290,002	-	-	-	-	290,002
Community Development	115,761	247,335	27,005	-	-	390,101
Capital Outlay:						
Public Safety	-	-	-	177,494	-	177,494
Public Works	-	-	-	251,255	-	251,255
Public Buildings & Facilities	-	-	-	447,203	-	447,203
Debt Service:						
Bond and Note Principal	110,000	2,167,627	-	181,277	-	2,458,905
Interest	55,331	806,227	-	48,454	-	910,011
<b>Total Expenditures</b>	<b>6,880,763</b>	<b>3,377,855</b>	<b>27,005</b>	<b>1,406,235</b>	<b>152,954</b>	<b>11,844,812</b>
Excess/(Deficiency) of Revenue Over Expenditures	212,589	511,162	(21,647)	(1,056,703)	21,123	(333,476)
Other Financing Sources/(Uses):						
Debt Proceeds	-	-	-	289,650	-	289,650
Transfers In	284,795	110,197	-	659,510	12,614	1,067,117
Transfers Out	(672,124)	(219,129)	-	-	(65,666)	(956,920)
<b>Total Other Financing Sources/(Uses)</b>	<b>(387,330)</b>	<b>(108,932)</b>	<b>-</b>	<b>949,160</b>	<b>(53,052)</b>	<b>399,847</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing/(Uses)	(174,741)	402,230	(21,647)	(107,543)	(31,929)	66,371
Fund Balances - July 1, 2018	1,856,141	226,588	598,386	535,344	102,036	3,318,495
Fund Balances - June 30, 2019	\$ 1,681,400	\$ 628,818	\$ 576,739	\$ 427,801	\$ 70,107	\$ 3,384,866

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

## CITY OF WINOOSKI, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

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)	\$ 66,371
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$875,953) is allocated over their estimated useful lives and reported as depreciation expense (\$1,238,220). This is the amount by which depreciation expense exceeded capital outlays in the current period.	(362,267)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, loss on disposals and donations) is to increase net position.	(536,749)
Governmental funds report bond refunding costs as expenditures in the year in which they occur. However, in the Statement of Activities, these costs are recorded as deferred outflows of resources and recognized over the life of the new debt issuance.	(141,950)
The issuance of long-term debt (\$289,650) (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$2,458,905) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amount is the net effect of these differences in the treatment of long-term debt and related items	2,169,255
Governmental funds report employer 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. This amount is the net effect of the differences in the treatment of pension expense	(144,615)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the decrease of unearned and unavailable revenue over last year.	(957,627)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>190,294</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ 282,712</u></u>

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

## CITY OF WINOOSKI, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2019

	Water Fund	Sewer Fund	Parking Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 405,684	\$ 614,390	\$ -	\$ 1,020,074
Receivables (Net of Allowance for Uncollectibles)	247,890	393,762	4,391	646,043
Due from Other Funds	47,595	234,623	1,327,703	1,609,921
Prepaid Expenses	157	6,848	5,461	12,466
Total Current Assets	<u>701,326</u>	<u>1,249,623</u>	<u>1,337,555</u>	<u>3,288,504</u>
Noncurrent Assets:				
Capital Assets:				
Land	-	77,604	569,969	647,573
Construction in Progress	190,519	492,851	-	683,370
Machinery and Equipment	425,919	1,024,215	423,343	1,873,477
Buildings, Distribution/Collection Systems & Improvements	5,270,981	13,827,134	15,284,213	34,382,328
Less: Accumulated Depreciation	<u>(2,585,291)</u>	<u>(7,955,493)</u>	<u>(4,630,723)</u>	<u>(15,171,507)</u>
Total Noncurrent Assets	<u>3,302,128</u>	<u>7,466,311</u>	<u>11,646,802</u>	<u>22,415,241</u>
Total Assets	<u>\$ 4,003,454</u>	<u>\$ 8,715,934</u>	<u>\$ 12,984,357</u>	<u>\$ 25,703,745</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflow - Pension Participation in VMERS	20,561	37,491	16,327	74,379
Total Deferred Outflows of Resources	<u>\$ 20,561</u>	<u>\$ 37,491</u>	<u>16,327</u>	<u>74,379</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,024,015</u>	<u>\$ 8,753,425</u>	<u>13,000,684</u>	<u>25,778,123</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 48,649	\$ 191,675	\$ 11,767	\$ 252,091
Accrued Payroll and Benefits Payable	-	-	-	-
Accrued Interest Payable	2,304	2,406	-	4,710
Unearned Revenue - Current Portion	5,027	-	108,375	113,402
General Obligation Bonds Payable - Current Portion	37,290	158,111	-	195,400
Due to Champlain Water District - Current Portion	<u>13,134</u>	<u>-</u>	<u>-</u>	<u>13,134</u>
Total Current Liabilities	<u>106,404</u>	<u>352,192</u>	<u>120,142</u>	<u>578,737</u>
Noncurrent Liabilities:				
Compensated Absences Payable	12,250	23,079	15,157	50,486
Net Pension Liability	38,443	70,098	30,527	139,068
Unearned Revenue - Noncurrent Portion	-	-	276,923	276,923
General Obligation Bonds Payable - Noncurrent Portion	265,874	721,093	-	986,967
Due to Champlain Water District - Noncurrent Portion	<u>129,297</u>	<u>-</u>	<u>-</u>	<u>129,297</u>
Total Noncurrent Liabilities	<u>445,864</u>	<u>814,270</u>	<u>322,607</u>	<u>1,582,741</u>
Total Liabilities	<u>552,268</u>	<u>1,166,462</u>	<u>442,749</u>	<u>2,161,479</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflow - Pension Participation in VMERS	2,050	3,739	1,628	7,417
Total Deferred Outflows of Resources	<u>2,050</u>	<u>3,739</u>	<u>1,628</u>	<u>7,417</u>
Total Liabilities and Deferred Inflows of Resources	<u>554,318</u>	<u>1,170,201</u>	<u>444,377</u>	<u>2,168,896</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	2,856,534	6,587,108	11,646,802	21,090,444
Restricted for Sewer Improvements-Expendable	-	123,648	-	123,648
Unrestricted	<u>613,163</u>	<u>872,469</u>	<u>909,504</u>	<u>2,395,136</u>
Total Net Position	<u>3,469,697</u>	<u>7,582,224</u>	<u>12,556,307</u>	<u>23,609,228</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,024,015</u>	<u>\$ 8,753,424</u>	<u>\$ 13,000,684</u>	<u>\$ 25,778,124</u>

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



## CITY OF WINOOSKI, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Sewer Fund	Parking Fund	Total
Operating Revenues:				
Charges for Service	\$ 847,588	\$ 1,068,419	\$ 1,246,362	\$ 3,162,369
Total Operating Revenues	<u>847,588</u>	<u>1,068,419</u>	<u>1,246,362</u>	<u>3,162,369</u>
Operating Expenses:				
Salaries and Benefits	218,682	500,273	248,721	967,677
Water Purchases	408,061	-	-	408,061
Purchased Services	12,846	172,388	100,659	285,893
Repairs and Maintenance	73,534	62,910	106,892	243,336
Electricity and Fuel	6,348	72,678	39,721	118,747
Administration	30,472	59,904	96,370	186,746
Other	3,455	50,593	203,132	257,180
Depreciation	126,229	327,296	354,676	808,201
Total Operating Expenses	<u>879,627</u>	<u>1,246,042</u>	<u>1,150,171</u>	<u>3,275,841</u>
Operating Income	<u>(32,039)</u>	<u>(177,623)</u>	<u>96,191</u>	<u>(113,472)</u>
Non-Operating Revenues/(Expenses):				
Loss on Disposition of Assets	-	-	-	-
Gain on Sale of Assets	-	-	-	-
Investment Income	6,870	9,786	-	16,656
Interest Expense	(11,329)	(16,181)	(824)	(28,334)
Total Non-Operating Revenues/(Expenses)	<u>(4,459)</u>	<u>(6,395)</u>	<u>(824)</u>	<u>(11,678)</u>
Net Income Before Capital Contributions and Transfers	(36,498)	(184,017)	95,367	(125,148)
Transfers Out	-	-	(110,197)	(110,197)
Capital Contributions	-	-	-	-
Change in Net Position	(36,498)	(184,017)	(14,830)	(235,345)
Net Position - July 1, 2018	<u>3,506,195</u>	<u>7,767,241</u>	<u>12,571,137</u>	<u>23,844,573</u>
Net Position - June 30, 2019	<u>\$ 3,469,697</u>	<u>\$ 7,583,224</u>	<u>\$ 12,556,307</u>	<u>\$ 23,609,228</u>

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

## CITY OF WINOOSKI, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Sewer Fund	Parking Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 852,931	\$ 977,366	\$ 1,201,895	\$ 3,032,192
Payments to Suppliers	(509,229)	(254,080)	(444,348)	(1,207,657)
Payments for Wages and Benefits	(222,494.81)	(499,930)	(239,082)	(961,507)
Paid to General Fund - Administration	(30,472)	(59,904)	(96,370)	(186,746)
	<u>90,736</u>	<u>163,452</u>	<u>422,095</u>	<u>676,283</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Decrease/(Increase) in Due from Other Funds	(39,212)	112,992	(309,954)	(236,174)
	<u>(39,212)</u>	<u>112,992</u>	<u>(309,954)</u>	<u>(236,174)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Grant Contributions	-	-	-	-
Acquisition and Construction of Capital Assets	(85,373)	(851,542)	(1,119)	(938,034)
Proceeds from Sales of Capital Assets	-	-	-	-
Debt Proceeds	95,192	588,173	-	683,365
Transfers to Other Funds	-	-	(110,197)	(110,197)
Principal Paid	(50,317)	(98,186)	-	(148,503)
Interest Paid	(11,282)	(15,075)	(824)	(27,180)
	<u>(51,780)</u>	<u>(376,630)</u>	<u>(112,141)</u>	<u>(540,550)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipt of Interest & Dividends	6,870	9,786	-	16,657
	<u>6,870</u>	<u>9,786</u>	<u>-</u>	<u>16,657</u>
Net Increase in Cash	6,615	(90,399)	-	(83,785)
Cash - July 1, 2018	399,069	704,790	-	1,103,859
Cash - June 30, 2019	<u>\$ 405,684</u>	<u>\$ 614,391</u>	<u>\$ -</u>	<u>\$ 1,020,074</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income	(32,039)	(177,623)	96,191	(113,471)
Depreciation	126,229	327,296	354,676	808,201
(Increase)/Decrease in Receivables	316	(91,054)	25,300	(65,437)
(Increase)/Decrease in Prepaid Expenses	115	(6,241)	(631)	(6,758)
Increase/(Decrease) in Accounts Payable	(5,100)	110,730	6,686	112,316
Increase/(Decrease) in Accrued Payroll	(6,447)	(11,426)	(5,710)	(23,583)
Increase/(Decrease) in Unearned Revenue	5,027	0	(69,767)	(64,740)
Increase/(Decrease) in Net Pension Liability and Related Deferrals	5,442	7,806	7,051	20,299
Increase/(Decrease) in Compensated Absences Payable	(2,808)	3,964	8,298	9,454
	<u>90,736</u>	<u>163,452</u>	<u>422,094</u>	<u>676,281</u>
Net Cash Provided by Operating Activities	<u>\$ 90,736</u>	<u>\$ 163,452</u>	<u>\$ 422,094</u>	<u>\$ 676,281</u>

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

CITY OF WINOOSKI, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

The City of Winooski, Vermont (herein the "City") is a municipal corporation operating under a council-manager form of government. It is governed by five (5) elected officials – a mayor and four (4) council members. The City Council appoints a City Manager to oversee the general operations of the City and a Treasurer as independent financial oversight.

The City provides the following services as authorized by its charter: public safety (police, fire and animal control), highways and streets, culture and recreation, community and economic development, planning and zoning, water, wastewater, parking and general administrative services.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the City 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.

**A. The Financial Reporting Entity**

This report includes all of the activity of the City of Winooski, Vermont. The financial 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 is financially accountable if an organization is fiscally dependent on the primary government and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. The Winooski Community Development Corporation Trust is the only entity that meets this definition and, as a discretely presented component unit, is reported in a separate column in the government-wide financial statement to emphasize that it is legally separate from the City. Based on these criteria, there are no other entities that should be combined with the financial statements of the City.

CITY OF WINOOSKI, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**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 presenting 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 presenting 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, except for fiduciary activities. 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 or program. 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.

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 funds are aggregated and reported as non-major funds.

CITY OF WINOOSKI, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
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The City reports on the following major governmental funds:

General Fund – This is the City’s main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

TIF Downtown Fund – This special revenue fund is used to account for all expenditures, revenues, and debt service related to the tax increment financing (TIF) district.

Community Development Loan Fund – This special revenue fund accounts for all housing grant and loan projects.

City Capital Reserve Fund – This capital project fund accounts for governmental fund capital expenditures and related debt service.

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 Wastewater and Stormwater Departments.

Parking Fund – This accounts for operations of the City Parking Infrastructure.

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.

**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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 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 total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and deferred outflow of resources and current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available

CITY OF WINOOSKI, VERMONT  
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spendable resources, and are segregated into nonspendable; 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.

**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 property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (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.

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Recognition of revenues on funds received in connection with the loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting amount in deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as loans are repaid.

**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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

**F. Implementation of New Accounting Standards**

Statement No. 83 “Certain Asset Retirement Obligations.” This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government’s minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.” This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related

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to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

**G. Assets, Liabilities and Equity**

**1. Cash**

Cash balances of most City funds are deposited with and invested by the City Treasurer. The City considers all short-term investments of ninety (90) days or less to be cash equivalents.

**2. Investments**

The City invests its operating and capital reserve funds as allowed by State Statute and in compliance with the City's own approved investment policy. Investment funds are collateralized by the investment institution or brokerage firm to ensure that all city funds and revenues are secure in accordance with applicable laws and policies. Investments with readily determinable fair values are reported at fair value on the balance sheet. Unrealized gains and losses are reported within applicable financial statements and included in the appropriate revenue category. The City's investment program encompasses all classes of revenues and funds and is reviewed on an ongoing basis to determine compliance and accountability.

**3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

**4. Internal Balances**

Activity between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "Advances 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". Cash balances deposited and invested by the Treasurer in a combined cash account are reported as "Due to/from Other Funds".

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



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**5. Inventories and Prepaid Expenses**

Inventory quantities are determined by physical count and are valued at the lower of cost or market.

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 nonspendable fund balance as they are not in spendable form.

**6. 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 acquisition 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. The City has elected to report major general infrastructure assets retroactively.

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 must be added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 10,000	Not Depreciated
Buildings and Building Improvements	20,000	10-75 Years
Vehicles, Machinery and Equipment	3,000	3-20 Years
Roads, Bridges, and Sidewalks	20,000	20-75 Years
Water and Wastewater Distribution and and Collection Systems	20,000	20-75 Years

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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 acquired.

**7. Deferred Inflows/Deferred Outflows**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which they are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the amounts are related or when the amounts become available

**8. Compensated Absences**

It is the policy of the City of Winooski to permit employees to accumulate earned but unused vacation or CTO, comp-time and sick leave benefits. The entire value of vacation or CTO and comp-time leave is paid upon termination. Sick leave has no cash value upon separation from the City. No expenditure is reported for these amounts until paid, except in the Proprietary Funds.

**9. Pensions**

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the City’s share of the net pension liability is recorded in the government-wide financial statements and proprietary fund financial statements.

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows and inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees’ Retirement System (VMERS) pension plan and additions to or deductions from the VMERS’ 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.

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**10. Long-term Liabilities**

Long-term liabilities include bonds, notes payable, capital leases payable and other obligations such as compensated absences and the City's net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

**11. Fund Equity**

Fund Balances and Net Position are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund type financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund Balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the City Council's intended use of the resources); and unassigned.

**II. 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, whereas 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 are earned. Long-term expense differences arise because governmental funds report operating expenses 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 another financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

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

Pension-related differences arise because governmental funds report the current year's required employer contribution as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the City's proportionate share of net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

### **III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Annually in December, 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City Council adopts the budget.
4. The budget is presented to the voters for approval at the March annual City meeting.
5. The City Manager is authorized to transfer budgeted amounts within each function. In fiscal year 2019 the City Manager authorized one budget transfer. The transfer was to combine the Youth Programs and Thrive Program budgets into a single department under Youth Programs to reflect the structure of our payroll program. Any revisions that alter the total budgeted amounts of any function must be approved by the City Council. In fiscal year 2019 Council approved one budget transfer reallocating funds budgeted as contingency for wage changes associated with implementing a revised compensation plan for non-union staff. This transfer was approved at the Council's January 7, 2019 City Council Meeting.

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6. The budget presented in schedule 3 is for the City’s “General Fund” only and does not include the Reimbursables Fund, the Public Art Fund, the City Operating Reserve Fund, the Fire Hazmat Fund, the Community Services Program Fund, and the Community Development Reserve Fund activity that is included with the General Fund.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2019, expenditures in the General Fund exceeded appropriations by \$286,126. These over expenditures were funded with excess revenues and prior year fund balances assigned by Council during public meetings.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash**

The City’s cash as of June 30, 2019 consisted of the following:

Cash:

Cash on Hand	\$ 4,737
Cash with Financial Institutions	<u>6,241,147</u>
Total Cash	<u>\$ 6,245,844</u>

**Custodial Credit Risk**

The 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 to a transaction (e.g. broker-dealer), 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 does not have any policy to limit the exposure to custodial credit risk.

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The following table shows the custodial credit risk of the City's deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC/NCUA Insured	\$ 976,555	\$ 976,555
Insured by Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	4,751,043	5,009,596
Insured by Letter of Credit Issued by Federal Home Loan Bank of Boston	351,093	351,093
Collateralized by Pledged Securities from Peoples United Bank	147,643	147,643
Uninsured Uncollateralized	14,813	14,813
 Total Cash Deposits	 <u>\$ 6,241,147</u>	 <u>\$ 6,499,700</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

**B. Receivables**

Receivables at June 30, 2019, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows.

	<u>Governmental Activity</u>	<u>Business-type Activity</u>	<u>Total</u>
Delinquent Taxes	\$ 68,004	\$ -	\$ 68,004
Penalties and Interest	10,053	-	10,053
Billed Services	52,347	17,815	70,162
Unbilled Services	-	435,638	435,638
Grants	14,787	69,659	84,446
Aid in Expansion Fees	-	126,490	126,490
Parking Tickets	297,054	-	297,054
Other	9,095	1,690	10,785
Allowance for Doubtful Accounts - Property Taxes	(711)	-	(711)
Allowance for Doubtful Accounts - Billed Services	(28,614)	(4,622)	(33,236)
Allowance for Doubtful Accounts - Parking Tickets	(248,707)	-	(248,707)
Allowance for Doubtful Accounts - Other	(741)	(627)	(1,368)
	<u>\$ 172,567</u>	<u>\$ 646,043</u>	<u>\$ 818,610</u>

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**C. Loans and Notes Receivable**

Loans, with a balance of \$23,790.63, were issued by the City's H.I.P. Program to qualifying residents for improvements to property at interest rates ranging from three (3%) to nine (9%) percent. These loans will be paid back in one (1) to twenty (20) years and re-loaned to new qualifying applicants. The City believes the loans are collectible as all are secured by real estate mortgage.

Loans, with a balance of \$210,800, were issued to Champlain Housing Trust for cooperative housing at 0% interest and to be repaid upon sale of the projects and are secured by mortgages. The City does not believe these loans are collectible so an allowance for doubtful accounts of \$210,800 has been recorded.

The City has a \$1,500,000 note receivable from HK Central Block Limited Partnership. This note is secured by real estate and is to assist in building affordable housing in Winooski. The source of the money for the loan was from a Federal grant. Interest is at 0% and the note is due December 31, 2035. The City believes the loan is collectible and has discounted it to present value of \$442,697.06 at June 30, 2019 using a 5% discount rate.

The City has a \$740,000 note receivable from Canal Street Housing Limited Partnership. The note is secured by real estate and was loaned to provide affordable veterans housing. The source of the funds was a Federal grant. Interest is at 0% and the note is due April 2, 2040. If all terms are met by the borrower, this loan will likely be forgiven at the due date. Therefore, an allowance for doubtful accounts of \$740,000 has been recorded.

The City has a \$370,000 note receivable from City Neighborhoods HLP. The City loaned the funds for the acquisition and rehabilitation of ten (10) affordable housing units. The source of the money for the loan was from a Federal grant. Interest is at 0% and the note is due in 2042. If all terms are met by the borrower, this loan will likely be forgiven at the due date. Therefore, an allowance for doubtful accounts of \$370,000 has been recorded.

The City has a \$764,500 note receivable from Champlain Housing Trust. The City loaned the funds to fund the Champlain Housing Loan Funds and allow the organization to continue providing Housing Rehabilitation and Counseling and Advocacy services. The source of the money for the loan was from a Federal grant. Interest is at 0% and the note is due in 2042. If all terms are met by the borrower, this loan will likely be forgiven at the due date. Therefore, an allowance for doubtful accounts of \$764,500 has been recorded.

The City has a \$1,500,000 note receivable from HK Central Block Limited Partnership due from the sale of land in the Downtown District known as Lot 5. The sale price was \$2,500,000 and the City received \$500,000 at closing. The City received an additional \$500,000 payment on this note on June 16, 2009. The terms of the note require the remaining \$1,500,000 to be repaid over twenty (20) years beginning in 2020. Until then, there are only annual payments of interest at

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5%. Interest received in 2019 amounted to \$93,750. The note is secured by a second mortgage on the entire Barlow Square condominium. The City believes this loan is collectible.

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 2,241,445	\$ -	\$ 531,926	\$ 1,709,520
Construction in Progress	178,512	360,544	-	539,056
Total Capital Assets Not Being Depreciated	<u>2,419,958</u>	<u>360,544</u>	<u>531,926</u>	<u>2,248,576</u>
Capital Assets, Being Depreciated				
Buildings and Building Improvements	6,625,318	45,803	3,850	6,667,271
Vehicles, Machinery and Equipment	3,692,548	265,069	72,525	3,885,092
Infrastructure	33,618,889	204,536		33,823,425
	<u>43,936,755</u>	<u>515,408</u>	<u>76,375</u>	<u>44,375,788</u>
Less Accumulated Depreciation For:				
Buildings and Building Improvements	2,961,163	213,565	1,027	3,173,701
Vehicles, Machinery and Equipment	2,025,746	232,745	70,525	2,187,966
Infrastructure	16,293,004	791,911	-	17,084,915
Totals	<u>21,279,913</u>	<u>1,238,221</u>	<u>71,552</u>	<u>22,446,582</u>
Total Capital Assets Being Depreciated	<u>22,656,842</u>	<u>(722,813)</u>	<u>4,823</u>	<u>21,929,206</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,076,800</u>	<u>\$ (362,269)</u>	<u>\$ 536,749</u>	<u>\$ 24,177,782</u>



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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 647,573	\$ -	\$ -	\$ 647,573
Construction in Progress	382,655	343,070	42,355	683,370
Total Capital Assets Not Being Depreciated	1,030,228	343,070	42,355	1,330,943
Capital Assets, Being Depreciated				
Parking Garage	15,284,213	-	-	15,284,213
Buildings, Distribution and Collection System & Improvements	18,468,069	630,046	-	19,098,115
Vehicles, Machinery and Equipment	1,866,204	7,274	-	1,873,478
	35,618,486	637,320	-	36,255,806
Less Accumulated Depreciation For:				
Parking Garage	4,027,984	315,916	-	4,343,900
Buildings, Distribution and Collection System & Improvements	9,278,018	352,885	-	9,630,903
Vehicles, Machinery and Equipment	1,057,304	139,399	-	1,196,703
Totals	14,363,306	808,200	-	15,171,506
Total Capital Assets Being Depreciated	22,656,842	(170,880)	-	21,084,300
Business-Type Activities Capital Assets, Net	\$ 25,076,800	\$ 172,190	\$ 42,355	\$ 22,415,243

Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
Public Safety	\$ 146,512	Water	\$ 126,299
Public Works	892,553	Sewer	327,296
Culture and Recreation	199,155	Parking	354,676
Total Depreciation Expense Governmental Activities	\$ 1,238,221	Total Depreciation Expense Business-Type Activities	\$ 808,201

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**E. Interfund Balances and Activity**

The composition of interfund balances at June 30, 2019 is as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 1,903,935
TIF Downtown Fund	-	338,486
Community Development Loan Fund	400	-
City Capital Reserve Fund	564,734	-
Justice Center Fund	12,846	-
Asset Forfeitures Fund	54,519	-
JAG Fund	-	-
Community Center Fund	-	-
Sewer Fund	234,623	-
Water Fund	47,595	-
Parking Garage Fund	1,327,703	-
Total	\$ 2,242,420	\$ 2,242,421

Interfund transfers during the year ended June 30, 2019 were as follows:

From	To	Amount	Purpose
General Fund	Capital Fund	\$ 659,510	Capital Plan and Assignment of Balances by Council
General Fund	Community Justice Center	12,614	Local match for Justice Center Grant
TIF Downtown Fund	General Fund	219,129	To offset additional operating costs due to TIF development
Community Center Fund	General Fund	65,666	To offset Community Center operating costs over rent revenues
Parking Garage Fund	TIF	110,197	Contribution toward debt owed per bond covenant
		\$ 1,067,117	

**F. Deferred Outflows of Resources**

Deferred outflows of resources in the Governmental Activities consists of \$99,712 from the difference between the expected and actual experience, \$127,123 from changes in assumptions, \$133,044 from the difference between the projected and actual investment earnings, \$87,895 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$166,198 of the required employer pension contributions made subsequent to the measurement date, as further described in Note V.A.1. Deferred outflows of resources in the Governmental Activities also includes \$709,753 of Bond Refunding Costs, which are being amortized over the 120 month life

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of the Downtown Project bonds. Total deferred outflows of resources in the Governmental Activities is \$1,323,725.

Deferred outflows of resources in the Business Activities consists of \$12,079 from the difference between the expected and actual experience, \$15,400 from changes in assumptions, \$16,117 from the difference between the projected and actual investment earnings, \$10,649 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$20,134, of required employer pension contributions made subsequent to the measurement date, as further described in Note V.A.1. Total deferred outflows of resources in the Business Activities is \$74,379.

Deferred outflows of resources in the Water Fund consists of \$3,339 from the difference between the expected and actual experience, \$4,257 from changes in assumptions, \$4,455 from the difference between the projected and actual investment earnings, \$2,944 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$5,566 of required employer pension contributions made subsequent to the measurement date, as further described in Note V.A.1. Total deferred outflows of resources in the Water Fund is \$20,561.

Deferred outflows of resources in the Sewer Fund consists of \$6,089 from the difference between the expected and actual experience, \$7,763 from changes in assumptions, \$8,124 from the difference between the projected and actual investment earnings, \$5,367 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$10,148 of required employer pension contributions made subsequent to the measurement date, as further described in Note V.A.1. Total deferred outflows of resources in the Sewer Fund is \$37,491.

Deferred outflows of resources in the Parking Fund consists of \$2,651 from the difference between the expected and actual experience, \$3,381 from changes in assumptions, \$3,538 from the difference between the projected and actual investment earnings, \$2,337 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$4,420 of required employer pension contributions made subsequent to the measurement date, as further described in Note V.A.1. Total deferred outflows of resources in the Parking Fund is \$16,327.

**G. Unearned Revenue and Deferred Inflows of Resources**

Deferred inflows of resources in the Governmental Activities consists of \$3,057 of prepaid property taxes, \$18,356 from the difference between the expected and actual experience and \$42,868 resulting from the differences between the employer contributions and the proportionate share of total contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1. Total deferred inflows of resources in the Governmental Activities is \$64,281.

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Deferred inflows of resources in the Business Activities consists of \$2,224 from the difference between the expected and actual experience and \$5,193 resulting from the differences between the employer contributions and the proportionate share of total contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1. Total deferred inflows of resources in the Business Activities is \$7,417.

Deferred inflows of resources in the Water Fund consists of \$615 from the difference between the expected and actual experience and \$1,435 resulting from the differences between the employer contributions and the proportionate share of total contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1. Total deferred inflows of resources in the Sewer Fund is \$2,050.

Deferred inflows of resources in the Sewer Fund consists of \$1,121 from the difference between the expected and actual experience and \$2,618 resulting from the differences between the employer contributions and the proportionate share of total contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1. Total deferred inflows of resources in the Sewer Fund is \$3,739.

Deferred inflows of resources in the Parking Fund consists of \$488 from the difference between the expected and actual experience and \$1,140 resulting from the differences between the employer contributions and the proportionate share of total contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1. Total deferred inflows of resources in the Parking Fund is \$1,628.

Unearned revenue in the Governmental Activities and the Governmental Funds consists of \$3,998 of grant revenue received in advance and \$2,562 of fees paid by customers for services to be rendered during fiscal year 2020. The revenue will be recognized as expenses are incurred on the grants and services are provided. Total unearned revenue in the Governmental Activities and the Governmental Funds is \$6,560.

Unearned revenue in the Business-Type Activities consists of \$385,298 of parking fees received in advance of which \$108,375 will be recognized in fiscal year 2020 and \$5027 in water service fees paid in advance of which all is anticipated to be recognized in fiscal year 2020. The revenue will be recognized as parking and other services are provided.

Unearned revenue in the Water Fund consists of \$5,027 of service fees received in advance all of which is anticipated to be recognized in fiscal year 2020. The revenue will be recognized as services are provided.

Unearned revenue in the Parking Garage Fund consists of \$385,298 of parking fees received in advance of which \$108,375 will be recognized in fiscal year 2020. The revenue will be recognized as parking and other services are provided.

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Deferred inflows of resources in the General Fund consists of \$3,057 of prepaid property taxes as well as \$37,717 of delinquent property taxes, penalties and interest on those taxes and \$59,964 in receivables that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the General Fund are \$100,738.

Deferred inflows of resources in the TIF Downtown Fund includes \$1,500,000 for a note receivable that was not collected within sixty (60) days after year-end as it would not be available to liquidate current liabilities. Total deferred inflows of resources in the TIF Downtown Fund are \$1,500,000.

Deferred inflows of resources in the Community Development Loan Fund consists of \$466,488 in loans and notes receivable that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the Community Development Loan Fund are \$466,488.

#### **H. Long-term Liabilities**

General Obligation Bonds – The City issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds 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. All of the City’s debt that will be repaid from the revenues of the Tax Increment Financing District are reported in governmental activities even though Water, Sewer and Parking Fund capital assets were financed with this debt and all net parking revenue is collateral for the outstanding letter of credit securing the debt. The amount of the future net parking revenue is not determinable.

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.

No-Interest Revolving Loans - 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 water and sewer infrastructure projects.

Other Notes Payable - The City has other notes payable to finance various capital projects and purchases through local banks.

Capital Lease Obligations - The City enters into lease agreements as the 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

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years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenue and in the business-type activities if the debt is expected to be repaid from proprietary fund revenue.

Compensated Absences - It is the policy of the City to permit employees to accumulate vacation or CTO, comp-time and sick leave time. The value of vacation, CTO, and comp time will be paid at the employee's current rate of pay upon retirement, termination or death. Sick time has no monetary value. The accrual for compensated absences, based on current rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Other Post-Employment Benefits - The City offers retired employees single coverage health insurance provided the employee has reached age 62 and their years of service plus their age equals 100. The benefit ends at age 65. The estimated liability is based on two employee who are likely to receive benefits in the near future

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Long-term liabilities outstanding as of June 30, 2019 were as follows.

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Governmental Activities:</u></b>				
Special Obligation Refunding Bonds - Downtown Project Series 2014A, Payable to TD Bank, N.A., Monthly payments of \$163695 beginning July 1, 2014 inclusive of interest and principal through 2024, 2.79% Interest; This Bond will be repaid from the revenues of the Tax Increment Financing (TIF) District	\$ 10,702,286	\$ -	\$ 1,687,210	\$ 9,015,076
Subordinate Special Obligation Tax Increment Financing Note, Series 2004B, Payable to Winooski Community Development Trust (the Mayor and City Council are Trustees of the Trust), Downtown Land Purchase, Interest at 5.0% beginning July 1, 2005, payable semi-annually. However, the City has the option not to pay the interest payments, and has executed this option, but interest shall accrue without additional interest. Principal and interest payments of \$192,441 due semi-annually beginning July 1, 2014 through July 21, 2024. Nonpayment of principal does not result in default or acceleration of the loan but triggers interest rates of 6% beginning July 1, 2014 and 7% beginning January 1, 2016 if no payment are made. Unpaid accrued interest is estimated to be \$483,300 at June 30, 2019. The payment of this Note is subordinate to the payment in full of the Special Obligation Refunding Bonds and the Pecor Note. This Note will be repaid from the revenues of the Tax Increment Financing District. During the fiscal year the City paid \$150,000 of accrued interest.	1,098,000	-	-	1,098,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Subordinate Special Obligation Tax Increment Financing Note, Series 2004A, Payable to Raymond Pecor, III and Stacey Pecor, Downtown Land Purchase, Interest at 5.0% beginning July 1, 2005, payable semi-annually, City has the option not to pay the interest payments, and has executed this option, but interest shall accrue without additional interest. Principal and interest payments of \$201,647 due semi-annually beginning July 1, 2014 through July 21, 2024. Non-payment of principal does not result in default or acceleration of the loan but triggers interest rates of 6% beginning July 1, 2014. After this date payments have been made as scheduled. Unpaid accrued interest is \$10,261 at June 30, 2019. This Note will be repaid from the revenues of the Tax Increment Financing District.	3,000,000	-	480,418	2,519,582
Bond Payable - Vermont Municipal Bond Bank, Street Reconstruction, \$74,358. Due annually on November 15 through 2031, interest ranging from 0.804% to 4.664%. Paid semi-annually on May 15 and November 15	991,246	-	70,817	920,429
Bond Payable - Vermont Municipal Bond Bank, Community Center, \$110,000. Due annually on November 15 through 2029, interest ranging from 1.31% to 5.23%. Paid semi-annually on May 15 and November 15	1,320,000	-	110,000	1,210,000
Lease Payable - Bank Capital Services LLC, Loader & Backhoe. Interest 3.5%, \$18,736 inclusive of interest due annually December 1 through 2021	35,595	-	17,492	18,103
Lease Payable - TD Equipment Financing, Dump Truck w/ Plow Attachment. Interest 2.81%, \$30,526 inclusive of interest due annually January 30 through 2020	58,573	-	28,881	29,692



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	Beginning Balance	Additions	Deletions	Ending Balance
Lease Payable - Bank Capital Services LLC, Maclean MV2 Sidewalk Snowplow. Interest 3.45%, \$24,018.96 due annually September 1 through 2021	67,352	-	21,693	45,659
Lease Payable - Ford Motor Credit, 2017 Ford Interceptor. Interest 4.95%, \$7,786 due annually August 1 through 2020	21,222	-	6,735	14,487
Lease Payable - Leasing 2, 2014 Sutphen Pumper. Interest 4.231%, \$27,903 due annually July 15 through 2029	241,425	-	17,688	223,737
Bond Anticipation Note - TD Bank, Myers Pool Reconstruction. Interest 2.95% per annum; payable on September 13, 2019; to be rolled into Bond for Pool Reconstruction.	-	205,000	-	205,000
Lease Payable - Ford Motor Credit, 2018 Ford Interceptor Fire Command. Interest 7.5%, \$8,115 inclusive of interest due annually July 24 through 2023	-	35,075	-	35,075
Lease Payable - Ford Motor Credit, 2018 Ford Interceptor. Interest 7.2%, \$8,887.65 inclusive of interest due annually October 5 through 2020	-	29,750	13,725	16,025
Lease Payable - Municipal Leasing Consultants, Livescan Fingerprinting System. Interest 5.99%, \$4,495 inclusive of interest due annually July 15 through 2023	-	19,825	4,247	15,578
Debt	<u>\$ 17,535,699</u>	<u>\$ 289,650</u>	<u>\$ 2,458,905</u>	<u>\$ 15,366,444</u>

The Special Obligation Refunding Bonds include certain financial and other covenants.

The City also has another long-term liability to Vermont Works for Women (VFW) which is a tenant in the City's Community Center. The City has agreed to pay for VFW's cost incurred to fit up its space by reducing VFW's lease payments by 63.82%. This equated to \$10,470 in 2019. If VFW were to move out of the space, the remaining balance of \$464,969.50, less a penalty rate of 10% results in \$418,472.55, payable to VFW. The penalty rate decreased during fiscal year 2019 resulting in an increase in the obligation being carried for this liability.

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	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Business-Type Activities:</u></b>				
Sewer Fund:				
Municipal Bond Bank, Garage Construction, \$12,500. Due annually on November 15 through 2038. Interest ranging from 1.7% to 4.13%. Paid semi-annually on May 15 and November 15	\$ -	\$ 250,000	\$ -	\$ 250,000
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Main Street Reconstruction, \$11,328. Due annually starting in April 2023. 0% interest, partial principal forgiveness	-	190,383	-	190,383
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Pollution Aeration Improvements, \$9,540. Due annually starting in October 2024. 0% interest, partial principal forgiveness	11,520	147,790	-	159,310
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, 0% interest, \$60,000 due annually on January 1 through 2020	120,000	-	60,000	60,000
Bond Payable - Vermont Municipal Bond Bank, Street Reconstruction, \$15,791. Due annually on November 15 through 2031. Interest ranging from 0.804% to 4.664%. Paid semi-annually on May 15 and November 15	210,595	-	15,040	195,556
Lease Payable - Bank Capital Services LLC, Loader & Backhoe. Interest 3.5%, \$24,794.04 due annually December 1 through 2021	47,102	-	23,146	23,956
Total Sewer Fund	389,217	588,173	98,186	879,204

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Business-Type Activities:</u></b>				
Water Fund:				
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, 0% interest, \$21,327 due annually starting in April 2023	\$ -	\$ 95,192	\$ -	\$ 95,192
Bond Payable - Vermont Municipal Bond Bank, Street Reconstruction, \$14,851. Due annually on November 15 through 2031. Interest ranging from 0.804% to 4.664%. Paid semi-annually on May 15 and November 15	198,159	-	14,143	184,016
Lease Payable - Bank Capital Services LLC, Loader & Backhoe. Interest 3.5%, \$24,794.04 due annually December 1 through 2021	47,102	-	23,146	23,956
Other Liability - Champlain Water District , Water Allocation, \$9,480 due annually on December 1 through 2024. Interest at 4.44% paid semi-annually on December 1 and June 1	66,360	-	9,480	56,880
Other Liability - Champlain Water District , Water Allocation, \$6,220.26 due annually on August 1 through 2036. Interest at 1% and admin fee at 2%	89,098	-	3,547	85,551
Total Water Fund	<u>400,719</u>	<u>95,192</u>	<u>50,317</u>	<u>445,594</u>
Total Business-Type Activities	<u>\$ 789,936</u>	<u>\$ 683,365</u>	<u>\$ 148,503</u>	<u>\$ 1,324,798</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable	\$ 13,013,532	\$ 205,000	\$ 1,868,027	\$ 11,350,505	\$ 2,120,706
Notes Payable	4,098,000	-	480,418	3,617,582	-
Capital Leases Payable	424,167	84,650	110,460	398,357	97,183
Other Long-Term Liability - VW FW	356,355	72,588	10,470	418,473	10,373
Compensated Absences	181,346	7,532	-	188,878	-
Other Post Employment Benefit	31,215	-	6,043	25,172	-
	<u>18,104,615</u>	<u>369,770</u>	<u>2,475,418</u>	<u>15,998,967</u>	<u>2,228,262</u>
Total Governmental Activities Long-Term Liabilities	<u>18,104,615</u>	<u>369,770</u>	<u>2,475,418</u>	<u>15,998,967</u>	<u>2,228,262</u>
<b>Business-Type Activities</b>					
Bonds Payable	540,274	683,365	89,183	1,134,456	149,108
Capital Leases Payable	94,204	-	46,292	47,912	46,292
Due to Champlain Water District	155,458	-	13,027	142,431	13,134
Compensated Absences	41,032	9,454	-	50,486	-
	<u>830,968</u>	<u>692,819</u>	<u>148,503</u>	<u>1,375,284</u>	<u>208,534</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 830,968</u>	<u>\$ 692,819</u>	<u>\$ 148,503</u>	<u>\$ 1,375,284</u>	<u>\$ 208,534</u>

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

The cost of assets financed by capital leases is \$986,627 for Governmental Activities and \$195,481 for Business-type activities. Amortization of the leases is included in depreciation expense. Accumulated depreciation for Governmental activities is \$146,411 and Business-type activities is \$32,538.

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Maturities of notes, bonds and capital leases payable based on the City’s intentions and contracts are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2020	\$ 2,120,706	\$ 321,637	\$ 98,070	\$ 114,817	\$ 25,220	\$ 49,588
2021	1,964,734	262,167	81,204	54,926	23,590	-
2022	2,015,146	204,783	40,512	55,039	21,841	-
2023	2,066,984	145,688	40,512	87,811	19,964	-
2024	5,574,173	84,869	40,512	97,470	18,251	-
2025-2029	903,893	180,005	139,514	336,663	66,812	-
2030-2034	322,451	15,837	27,903	147,601	25,158	-
2035-2039	-	-	-	17,595	6,496	-
Less Imputed Interest	-	-	(69,872)	-	-	(1,676)
<b>Total</b>	<b>\$ 14,968,088</b>	<b>\$ 1,214,986</b>	<b>\$ 398,356</b>	<b>\$ 911,923</b>	<b>\$ 207,332</b>	<b>\$ 47,912</b>

**I. Net Position/Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the City Council’s intended use of the resources); and unassigned.

Special Revenue Funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special Revenue Funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely.

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The City does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The City does not have a minimum fund balance policy; however, there is in place a governmental fund balance policy that sets a target operating reserve of 30 days cash on hand.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the City's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major Special Revenue Fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The restricted net position of the City as of June 30, 2019 consisted of the following:

Governmental Activities:

Restricted for Downtown Project and Debt Service By Bond Agreement and TIF Legislation	\$ 2,128,819
Restricted for Community Development by Grant Agreements and Donations	1,043,228
Restricted for Public Safety by Grant Agreements and Regulation	<u>70,107</u>
Total Governmental Activities	<u>\$ 3,242,154</u>

Business-Type Activities:

Restricted for Sewer Expansion by Ordinance	\$ <u>123,648</u>
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The fund balances of the following funds are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 228,719
Nonspendable Inventory	<u>829</u>
Total Major Funds	<u>\$ 229,548</u>

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Non-Major Funds

Justice Center Fund	
Nonspendable Prepaid Expenses	\$ <u>52</u>
Total Non-Major Funds	\$ <u>52</u>
Total Nonspendable Fund Balances	\$ <u>229,600</u>

The fund balances in the following funds are restricted as follows:

Major Funds

General Fund:	
Restricted for Parks Planning work purposes by Grant Agreement	\$36,847
TIF Downtown:	
Downtown Project and Debt Service by Bond Agreement and TIF Legislation	628,819
Community Development Fund:	
Restricted for Community Development by Grant Agreements	576,740
Total Major Funds	<u>\$1,242,407</u>
Non-Major Funds:	
Asset Forfeitures Fund:	
Restricted for Public Safety by Regulation (Source of Revenue is Asset Seizures)	\$ 57,519
Justice Center Fund:	
Restricted for Public Safety by Donations and Grant Agreements (Source of Revenue is Donations and Grant Payments)	12,536
Total Non-Major funds	<u>\$ 70,055</u>
Total Restricted Fund Balances	<u>\$ 1,312,462</u>

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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Community Development	\$205,236
Assigned for Reappraisal	187,200
Assigned for Public Art	5,501
Assigned for Lister Education	2,894
Assigned for Records Restoration	81,430
Assigned for Fire/Hazmat	89,021
Assigned for Community Service Programs	93,592
Assigned for Other Post-Employment Benefits	<u>25,173</u>
Total General Fund	<u>690,047</u>

City Capital Reserve Fund:

Assigned for Capital Projects	<u>427,801</u>
Total Assigned Fund Balances	<u>\$1,117,848</u>

**V. OTHER INFORMATION**

**A. PENSION PLAN**

**Defined Benefit Plans**

**The Vermont Municipal Employees' Retirement System (VMERS)**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) 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 municipal and school district 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, 2018, the retirement system consisted of 402 participating employers.



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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.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources**

As of June 30, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2017 the City's proportionate share was .91490% resulting in liability of \$1,287,028. The net pension liability was measured as of June 30, 2018, 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 contribution to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2018, the City's proportion of .91490% was an increase of .15675% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$351,246.

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As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 111,791	\$ 20,580
Difference between projected and actual earnings on pension plan investments	149,161	-
Changes in assumptions	142,523	-
Differences between employer contributions and proportionate share of total contributions	98,544	48,061
City's required employer contribution made subsequent to measurement date	<u>186,332</u>	<u>-</u>
	<u><u>\$ 688,351</u></u>	<u><u>\$ 68,641</u></u>

The deferred outflows of resources resulting from the City's required employer contributions made subsequent to the measurement date in the amount of \$186,332 will be recognized as a reduction of net pension liability in the year ended June 30, 2020. 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	
2019	\$ 242,479
2020	100,867
2021	34,995
2022	<u>55,039</u>
	<u><u>\$ 433,380</u></u>

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**Summary of System Provisions**

Membership – Full time employees of participating municipalities. The City has elected coverage under Groups B, C and D provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

**Service Retirement Allowance:**

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

**Early Retirement Allowance:**

Eligibility – Age 55 with five (5) years of service for Group B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members and payable without reduction to Group D members.

**Vested Retirement Allowance:**

Eligibility – Five (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 Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

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Disability Retirement Allowance:

Eligibility – Five (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 – Death after five (5) years of service.

Amount – For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

Optional Benefit and Death after Retirement – For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, 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 Consumer Price Index but not more than 3% for Groups B, C and D.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

	Group	Effective 7/1/18	For Fiscal Year Ended 6/30/18
Member Contributions	B	5.000%	4.875%
	C	10.125%	10.000%
	D	11.475%	11.350%
Employer Contributions	B	5.625%	5.500%
	C	7.375%	7.250%
	D	9.975%	9.850%

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**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation, the same as in the prior year.

Salary increases: 5% per year.

Mortality –

Death in Active Service: Groups B and C – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement. Group D – RP-2006 Blue Collar Annuitant Table with generation improvement.

Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement. Group D – 100% of RP-2014 Health Annuitant with generational improvement.

Disabled Post-Retirement: Groups B, C and D – RP-2006 Disabled Mortality Table with generational improvement.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.3% per annum for Groups B, C and D members, the same as in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups B and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.3% for all groups.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation: 2.50%, the same as the prior year.

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Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

Discount Rate:

The discount rate used to measure the total pension liability was 7.50%, the percentage used in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%) than the current rate.

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$2,179,934	\$1,287,028	\$560,847

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Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of Fiduciary Net Position, is available upon request from the State of Vermont.

**2. Vermont Municipal Employees Retirement System – Deferred Contribution Plan**

The City also offers participation in the VMERS defined contribution (DC) Plan as an option for police dispatchers. The premise of Plan DC is to allow employees to have a choice in investing their retirement assets. Each employee will receive the value of their account upon retirement. Employees contribute 5% of earnings to the plan and the City contributes 5.125%. Employees may only enroll in a single VMERS type plan. No employees elected VMERS DC coverage during the 2019 fiscal year.

**3. Other Defined Contribution Plan**

The City also maintains a Section 401(a) defined contribution pension plan for all other employees not included in VMERS. Eligible employees must be twenty-one (21) years of age and work a minimum of 1,000 hours per year. This Plan provides retirement and survivor benefits. Under the plan specifications, a member may retire after reaching the age of 65 with no provision for early retirement. Benefits are not vested until an employee has five (5) years of service at which time they become 100% vested. Upon retirement, members are entitled to a lump sum distribution only. The City contributes 5% for all participating employees of gross salary less amounts deferred under a Section 125 cafeteria plan. The City will match contributions to the plan up to 6%. Per an employee contract the City contributions on the wages for the City Manager are 9%. The City's covered payroll for this retirement plan was \$1,449,150. Pension expense for this plan for the years ended June 30, 2019, 2018 and 2017 was \$82,054, \$83,149, and \$77,287 respectively.

The City also maintains a Section 457 Deferred Compensation Plan for its employees with a plan year of January 1 through December 31. The 457 Plan covers substantially all employees. The Plan is administered by Pension Works, Inc. with investments held at John Hancock. The Plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor.

The City does not report these assets on their financial statements as they are held in trust for the benefit of the employees.

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**B. Property Taxes**

Property taxes attach as an enforceable lien on property as of April 1. Taxes are levied on July 1 and are payable in four (4) installments due August 15, November 15, February 15, and May 15. The City bills and collects its own property taxes as well as education taxes for the State of Vermont. City property tax revenue is recognized when levied to the extent it is collected within sixty (60) days after year-end.

The tax rate for fiscal year 2019 is as follows:

<u>Residential</u>	<u>Residential</u>	<u>Non-</u>
Education	\$1.4777	\$1.7281
Local Agreement Rate	.0014	.0014
City	<u>1.0689</u>	<u>1.0689</u>
Total	<u>\$2.5480</u>	<u>\$2.7984</u>

**C. Risk Management**

The City of Winooski 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 Winooski maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City of Winooski. 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.

Effective January 1, 2014 the City of Winooski, as a small group per the State of Vermont (50 and under full time employees), was mandated to buy insurance for health benefits through Vermont Health Connect. The City makes all Blue Cross Blue Shield Plans available through VHC available to qualified employees:

The City contributes up to 90% of the premium for the Silver CDHP plan to each employee regardless of plan chosen. The City also provides first dollar coverage through a Health Reimbursement Account (HRA) equal to \$4,500 for single plans and \$9,000 for all other plans. The City has exposure to the extent of funded deductibles.



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City Contribution toward a BCBS Plan		City Funding toward HRA
Single	\$527.22	\$4,500
Two Person	\$1,054.44	\$9,000
Employee & Children	\$1,017.53	\$9,000
Family	\$1,481.49	\$9,000

The City of Winooski is also a member of the Vermont League of Cities and Towns Employment Resources and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employee benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The City has only elected unemployment coverage with the trust.

**D. Operating Leases**

The City has entered into operating leases for copiers, computer equipment, software licensing, a postage machine, and electric vehicles. Lease expense for the fiscal year 2019 was \$35,603. Future minimum lease payments are as follows:

2020	\$33,229
2021	24,766
2022	7,608
2023	7,608
2024	4,639
2025	835
Total	<u>\$ 78,685</u>

**E. Parking Garage Leases**

The City leases spaces in its parking garage on a long-term basis to five commercial tenants. A contract with Spinner Place Student Housing was executed during fiscal year 2019. Future minimum rentals under these leases over the next five years are as follows:

2020	\$ 485,045
2021	314,065
2022	320,586
2023	275,841
2024	<u>281,693</u>
Total	<u>\$ 1,677,230</u>

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Revenue recognized under these leases for 2019 is \$601,964 which includes revenue for spaces leased at tenants' option in excess of the minimum and lease payments deferred from prior years.

One of the tenants pre-paid a portion of its lease commitment in 2011. This prepayment was deferred and is being amortized into revenue annually through June 30, 2024. The revenue recognized for this year is \$69,231 and the unamortized, unearned revenue at June 30, 2019 is \$346,154. In addition to this, other tenants pre-paid a portion of their 2019 leases before year

end in the amount of \$39,144. Total unearned revenue at June 30, 2019 was \$385,298.

**F. Concentration of Expenses**

The City purchased all of its water from Champlain Water District (CWD) for the year ended June 30, 2019. The City purchased \$408,061 of water from CWD.

The City has all of the dewatering services for biosolid waste from the Wastewater Treatment Plant provided by the Burlington Department of Public Works. The City paid \$141,644 for these services in the fiscal year ended June 30, 2019.

**G. TIF District**

The City Council approved the establishment of a Tax Increment Financing (TIF) District on November 2, 2000 which was later approved by the Vermont Legislature in 2000. The TIF District allowed the City to undertake and pay for infrastructure improvements and community development in its downtown. In 2004, Winooski voters approved \$25.9 million in revenue bonds to finance improvements in the District. As of April 1, 2004, the taxable value of properties in the District was frozen at \$24,822,940. Per TIF legislation adopted in May 2016 this base value was reconciled with the Vermont Economic Progress Council and Vermont State Property Valuation and Review during and increased to \$25,065,900 effective with the 2018 fiscal year grand list. With a TIF District, the value of properties within the District are frozen at the time the District is created. All property taxes generated by the original base value continue to go to the municipal General Fund and the State Education Fund. For twenty (20) years, all of the municipal and education property taxes generated by any "new" development will finance the TIF District infrastructure debt with the exception of 2% of the education property taxes going to the State Education Fund. As part of the downtown development, the City constructed a parking garage and private developers built commercial and residential properties. Revenues from the parking garage and from agreements with the developers are also pledged towards repayment of the debt.

**H. Related Party Transactions**

City Councilor Michael Myers and the owner of the City's trash removal vendor, Myer's Containers, are related. The trash removal contract was entered into prior to Councilor Myers being elected. Myers Container was paid \$16,692 during the year ended June 30, 2019.

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**H. Commitments and Contingencies**

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant or contract including a true up by the grantor. Failure to fulfill the conditions or the results of the true up could result in the return of funds to the grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms; it has accommodated the objectives of the City to the provisions of the grant.

The City is a participating member in the Chittenden Solid Waste District (CSWD), Champlain Water District (CWD), and the Green Mountain Transit (GMT), formerly known as the Chittenden County Transportation Association (CCTA). The City could be subject to a portion, or all, of these entities' debt if these entities experience financial problems.

## Required Supplementary Information

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

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

## CITY OF WINOOSKI, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue:</b>			
Taxes	\$ 5,464,729	\$ 5,468,414	\$ 3,685
Charges for Services	94,000	137,972	43,972
Investment Income	7,750	23,907	16,157
Intergovernmental Income	509,356	488,051	(21,306)
Fees, Fines and Forfeits	165,100	149,204	(15,896)
Licenses and Permits	18,500	17,673	(827)
Other	104,400	190,610	86,210
O'Brien Community Center	334,153	296,260	(37,893)
Total Revenue	6,697,989	6,772,090	74,101
<b>Expenditures:</b>			
Mayor & City Council	63,042	74,984	(11,942)
City Manager's Department	202,311	224,726	(22,414)
Legal Department	53,000	51,727	1,273
Administrative Services	642,522	653,868	(11,346)
Clerk's Office (formerly Records Department)	134,076	126,997	7,079
Zoning	57,772	54,365	3,407
Fire Department/Code Enforcement	372,648	384,569	(11,921)
Police Department	2,469,800	2,539,332	(69,532)
Engineering Services	47,604	56,419	(8,815)
Public Works Department	597,646	606,394	(8,748)
Grounds & Facilities Department	532,626	476,468	56,158
O'Brien Community Center	314,153	311,293	2,860
Community Services	119,897	116,631	3,267
Pool Operation	0	0	0
Senior Citizens Center	51,776	36,014	15,762
Youth Programs	104,555	117,133	(12,578)
Library Department	213,859	203,683	10,177
Regional Programs	239,885	290,002	(50,117)
Capital Program	480,816	659,510	(178,694)
Total Expenditures	6,697,989	6,984,115	(286,126)
Excess of Revenue Over Expenditures	\$ -	(212,025)	\$ (212,025)
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>			
Expenditures of other funds combined with the General Fund		(589,256)	
Revenues of other funds combined with the General Fund		626,540	
Transfers In - Intrafund		20,484	
Transfers Out - Intrafund		(20,484)	
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses - Exhibit D		\$ (174,741)	

The reconciling items are due to combining five (5) funds with the General Fund in order to comply with GASB Statement No. 54.

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

CITY OF WINOOSKI, VERMONT

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Plan Net Pension Liability	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
City's Proportion of the Net Pension Liability	0.91490%	0.75815%	0.84733%	.97345%	.94419%
City's Proportionate Share of the Net Pension Liability	\$ 1,287,028	\$ 918,535	\$ 1,090,462	\$ 750,487	\$ 86,173
City's Covered Employee Payroll	\$ 2,205,765	\$ 1,857,247	\$ 1,317,914	\$ 1,403,915	\$ 1,541,131
City's Proportionate Share of the Net Pension Liability as a Percentage of City's Covered Employee Payroll	58.348%	49.457%	82.742%	53.457%	5.592%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.60%	83.64%	80.95%	87.42%	98.32%
	as of June 30, 2018	as of June 30, 2017	as of June 30, 2016	as of June 30, 2015	as of June 30, 2014

**Notes to Schedule**

Valuation Dates: June 30, 2018, 2017, 2016, 2015 and 2014.

Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

Benefit Changes: None.

Change in Assumptions: The actuarial assumptions regarding the incidence of maturity, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

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

CITY OF WINOOSKI, VERMONT  
 SCHEDULE OF CONTRIBUTIONS  
 LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 186,332	\$ 160,249	\$ 123,812	\$ 128,779	\$ 135,187
Contributions in Relation to the Actuarially Determined Contributions	<u>(186,332)</u>	<u>(160,249)</u>	<u>(123,812)</u>	<u>(128,779)</u>	<u>(135,187)</u>
Contribution Excess/(Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Employee Payroll	2,205,765	1,857,247	1,317,914	1,403,915	1,541,131
Contributions as a Percentage of City's Covered Employee Payroll	8.447%	8.628%	9.395%	9.173%	8.772%

**Notes to Schedule**

Valuation Dates: June 30, 2018, 2017, 2016, 2015 and 2014

Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

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

## Other Supplementary Information

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

- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Statement of Net Position - Proprietary Funds - Parking
- Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds - Parking



## Special Revenue Funds

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

## CITY OF WINOOSKI, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Special Revenue Funds				Total
	Community Center Fund	Justice Center Fund	Asset Forfeitures Fund	JAG Fund	
<u>ASSETS</u>					
Cash	\$ -	\$ 180	\$ 3,000	\$ -	\$ 3,180
Receivables	-	-	-	-	-
Due From Other Funds	-	12,846	54,519	-	67,365
Prepaid Expenses	-	52	-	-	52
TOTAL ASSETS	\$ -	\$ 13,078	\$ 57,519	\$ -	\$ 70,597
<u>LIABILITIES</u>					
Accounts Payable	\$ -	\$ 490	\$ -	\$ -	490
Accrued Payroll	-	-	-	-	\$ -
Unearned Revenue	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	-	490	-	-	490
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Receivables	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
<u>FUND BALANCES</u>					
Nonspendable	-	52	0	-	52
Restricted	-	12,536	57,519	-	70,055
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances/ (Deficits)	-	12,588	57,519	-	70,107
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 13,078	\$ 57,519	\$ -	\$ 70,597

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

## CITY OF WINOOSKI, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				Total
	Community Center Fund	Justice Center Fund	Asset Forfeitures Fund	JAG Fund	
Revenue:					
Intergovernmental	\$ -	\$ 130,000	\$ 37,020	\$ 6,077	\$ 173,097
Donations	-	-	-	-	-
Rent & Lease Income	-	-	-	-	-
Other	-	540	-	440	980
<b>Total Revenue</b>	<b>-</b>	<b>130,540</b>	<b>37,020</b>	<b>6,517</b>	<b>174,077</b>
Expenditures:					
Public Safety	-	131,732	15,145	6,077	152,954
Public Buildings and Facilities	-	-	-	-	-
Capital Outlay:					
Public Safety	-	-	-	-	-
Public Buildings and Facilities	-	-	-	-	-
Debt Service:					
Bond and Note Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>131,732</b>	<b>15,145</b>	<b>6,077</b>	<b>152,954</b>
Excess/(Deficiency) of Revenue Over Expenditures	-	(1,192)	21,875	440	21,123
Other Financing Sources/(Uses):					
Transfers In	-	12,614	-	-	12,614
Transfers Out	(65,666)	-	-	-	(65,666)
<b>Total Other Financing Sources/(Uses)</b>	<b>(65,666)</b>	<b>12,614</b>	<b>-</b>	<b>-</b>	<b>(53,052)</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and and Other Financing/(Uses)	(65,666)	11,422	21,875	440	(31,929)
Fund Balances/(Deficit) - July 1, 2018	65,666	1,166	35,644	(440)	102,036
Fund Balances/(Deficit) - June 30, 2019	\$ 0	\$ 12,588	\$ 57,519	\$ -	\$ 70,107

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

## Proprietary Funds

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

## SCHEDULE C

## CITY OF WINOOSKI, VERMONT

COMBINING STATEMENT OF NET POSITION  
 PROPRIETARY FUND - PARKING  
 JUNE 30, 2019

<u>ASSETS</u>	<u>Parking Garage</u>	<u>On Street Meters</u>	<u>Total</u>
Current Assets:			
Cash	\$ -	\$ -	\$ -
Receivables (Net of Allowance for Uncollectibles)	25,197	-	25,197
Due from Other Funds	681,272	625,625	1,306,897
Prepaid Expenses	5,461	0	5,461
Total Current Assets	\$ 711,930	\$ 625,625	\$ 1,337,555
Noncurrent Assets:			
Capital Assets:			
Land	\$ 569,969	\$ -	\$ 569,969
Machinery and Equipment	276,509	146,834	423,343
Buildings, Distribution/Collection Systems & Improvements	15,284,213	-	15,284,213
Less: Accumulated Depreciation	(4,538,484)	(92,239)	(4,630,723)
Total Noncurrent Assets	\$ 11,592,207	\$ 54,595	\$ 11,646,802
Total Assets	\$ 12,304,137	\$ 680,220	\$ 12,984,357
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow - Pension Participation in VMERS	\$ 13,908	\$ 2,419	\$ 16,327
Total Deferred Outflows of Resources	\$ 13,908	\$ 2,419	\$ 16,327
Total Assets and Deferred Outflows of Resources	\$ 12,318,045	\$ 682,639	\$ 13,000,684
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 9,382	\$ 2,385	\$ 11,767
Accrued Payroll and Benefits Payable	-	-	-
Unearned Revenue - Current Portion	108,375	-	108,375
Total Current Liabilities	\$ 117,757	\$ 2,385	\$ 120,142
Noncurrent Liabilities:			
Compensated Absences Payable	\$ 8,570	\$ 6,587	\$ 15,157
Net Pension Liability	26,004	4,523	30,527
Unearned Revenue - Noncurrent Portion	276,923	-	276,923
Total Noncurrent Liabilities	\$ 311,497	\$ 11,110	\$ 322,607
Total Liabilities	\$ 429,254	\$ 13,495	\$ 442,749
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflow - Pension Participation in VMERS	\$ 1,387	\$ 241	\$ 1,628
Total Deferred Outflows of Resources	\$ 1,387	\$ 241	\$ 1,628
Total Liabilities and Deferred Inflows of Resources	\$ 430,641	\$ 13,736	\$ 444,377
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 11,592,207	\$ 54,595	\$ 11,646,802
Unrestricted	295,197	614,308	909,505
Total Net Position	\$ 11,887,404	\$ 668,903	\$ 12,556,307
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,318,045	\$ 682,639	\$ 13,000,684

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

## CITY OF WINOOSKI, VERMONT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND  
NET POSITION - PROPRIETARY FUND - PARKING  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Parking Garage</u>	<u>On Street Meters</u>	Total
Operating Revenues:			
Charges for Service	\$ 695,491	\$ 550,871	\$ 1,246,362
Total Operating Revenues	<u>695,491</u>	<u>550,871</u>	<u>1,246,362</u>
Operating Expenses:			
Salaries and Benefits	150,605	98,116	248,721
Purchased Services	28,784	71,875	100,659
Repairs and Maintenance	77,853	29,039	106,892
Electricity and Fuel	39,721	-	39,721
Administration	37,070	59,300	96,370
Other	175,782	27,350	203,132
Depreciation	331,419	23,257	354,676
Total Operating Expenses	<u>841,234</u>	<u>308,937</u>	<u>1,150,171</u>
Operating Income	<u>(145,743)</u>	<u>241,934</u>	<u>96,191</u>
Non-Operating Revenues/(Expenses):			
Interest Expense	-	(824)	(824)
Total Non-Operating Revenues/(Expenses)	<u>-</u>	<u>(824)</u>	<u>(824)</u>
Net Income Before Capital Contributions and Transfers	<u>(145,743)</u>	<u>241,110</u>	<u>95,367</u>
Transfers Out	(110,197)	-	(110,197)
Change in Net Position	<u>(255,940)</u>	<u>241,110</u>	<u>(14,830)</u>
Net Position - July 1, 2018	<u>12,143,344</u>	<u>427,793</u>	<u>12,571,137</u>
Net Position - June 30, 2019	<u>\$ 11,887,404</u>	<u>\$ 668,903</u>	<u>\$ 12,556,307</u>

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



*Promotes Expertise & Integrity*

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

City Council  
City of Winooski  
Winooski, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Winooski, Vermont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Winooski, Vermont's basic financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 of Winooski, Vermont's financial statements are free from 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.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
December 23, 2019