

CITY OF WINOOSKI, VERMONT

**AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

JUNE 30, 2013

CITY OF WINOOSKI, VERMONT
AUDIT REPORT
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Independent Auditor's Report

Honorable City Council
City of Winooski
27 West Allen Street
Winooski, Vermont 05404

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Winooski, Vermont, as of and for the year ended June 30, 2013, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "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 from 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 City of Winooski, Vermont'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 City of Winooski, Vermont's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-activities, each major fund, and the aggregate remaining fund information of the City of Winooski, Vermont as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, 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 management's discussion and analysis on pages 3 through 13, and the budgetary comparison for the General Fund in Schedule 1 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

As described in Note 1F., to the financial statements, effective for the fiscal year ending June 30, 2013, the City of Winooski, Vermont, implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements" and Management's Discussion and Analysis "For State and Local Governments" (as later amended by GASB Statement No. 37), GASB Statement No. 38 "Certain Financial Statement Note Disclosures", GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

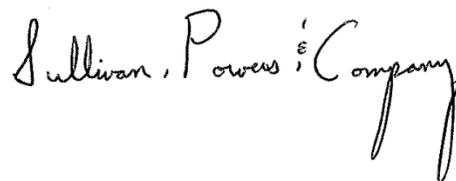
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winooski, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations" and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated January 6, 2014 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.

January 6, 2014
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in dark ink and is positioned to the right of the date and address information.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

INTRODUCTION

The audit attached reflects the City of Winooski's set of government-wide financial statements, bringing the City into compliance with the requirements of the Governmental Accounting Standards Board. This is our first audit in many years with an unqualified opinion. The statements represent three years of intense work by our staff accountant and by Dr. James Ticehurst, to whom we owe a debt of gratitude.

The achievement of a "clean" audit allows the City to continue to leverage federal and state grants, which were in danger of being withheld. We can now also work with banks and lending institutions to achieve more favorable terms on our borrowing. Perhaps most importantly, we have achieved a level of transparency that should continue to breed trust.

One initial note, because this is the first year we present these statement, it will not be possible to compare results with previous years. This will make comparisons for Exhibit A and B in the audit not useful at this time. Over time, changes will be indicative of performance. We look forward to being able to present a year to year analysis in FY 2014 and beyond.

It is with great pride that I present this Management Discussion and Analysis of the FY 13 financial statement.

GENERAL CITIZEN SUMMARY

This section is a summary of the detailed information presented below. It is intended to be a clear and concise summary of important points below and able to be understood without significant financial background. The actual details below will require some level of expertise to understand.

The City has recovered from a challenging financial position in the General Fund that began in FY2007. The City has addressed the gap in the budget, initially with tax increases then subsequently adding staffing cuts, a redesign of city services, and a change in health insurance that resulted in significant savings. We have not made mid-year budget adjustments within departments in the last four years in order to see clearly where the budget worked or was lacking. Our performance indicates that we now have a firm handle on both revenues and expenses and should perform as expected well into the future.

We have three key challenges ahead in our General Fund financial plan.

The first challenge is an underfunded General Fund capital budget due in part to our decision to pay debt out of this fund. This is an unusual policy. We must address this issue or we will be unable to maintain our buildings, equipment, and streets and sidewalks. The biggest issue we face in this area is the need to replace a forty year old pool that is well beyond its useful life. Deteriorating conditions will begin to force the City to repair and replace items like roofs, heating systems, and fire trucks as an emergency rather than as a planned repair or replacement. This can be addressed by gradually moving interest payments, then principal payments to the general fund and taking on all new debt out of the operating budget. This issue showed clearly when we took out a twenty year bond to do work on the streets, sidewalks, water, storm water and sewer systems. In most cases, the street and sidewalk work will last ten years. It is unwise to pay for a ten year project over twenty years, but the deteriorating condition of these projects forced us to address them in this manner.

The second is our obligation to the O'Brien Community Center bond. While all expenses, including the debt is being paid from rents, we are always at risk of losing a tenant and temporarily having to make up payment from other funds.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Finally, the City has cut back significantly on staff in order to address budget shortfalls. We took this action to address a steady loss in revenue over the last five years. We must be wise in the future, assuring that the city is adequately staffed, that staff has the needed skills and that pay allows us to recruit the needed talent. This is not currently a significant issue with the exception of our administrative staff, but must be watched carefully moving forward.

Outside of the General Fund obligations noted above, the TIF district has two notes that we have been unable to begin to pay off. One is a \$3,000,000 note owed to Raymond C. Pecor. The other is a \$1,098,000 note to the Winooski Community Development Corporation. The Pecor note has serious interest obligations that are accruing. The City has not had funds available to make payments on this note after meeting all of the bond requirements. We anticipate a change in bond terms in May at a regularly scheduled renegotiation of the letter of credit. This should free up funds to help address the note. We anticipate a solution in the summer of 2014. The WCDC note is not accruing interest and is controlled by the City Council.

That being said, the financial state of the City remains strong. For each area of concern, there is a reasonable plan. The budget process allows us to address issues in a transparent manner and assures that the Council remains keenly aware of issues long before they develop.

We are proud of the progress we have made and excited about our future.

What follows is an analysis of the particular performance of all City funds. The issues require some understanding of accounting and finance. We will do our best to speak in plain language where concepts allow. Please address any questions you may have to:

K. R. Decarreau (Deac)
City Manager
(802) 655 6410
deac@winooski.vt.org

or a member of the City Council whose contact information is available on our website.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements provide a general overview of the City's financial position more in keeping with the private sector. The advantage of such a report is the ability to understand where items like debt and post-employment benefits have on the long-term viability of the City. It is far less likely to miss the fact that we have thousands of dollars that we will owe at some point and no plan to address the gap. The one caution is that you will see a value on items like streets, sidewalks, water lines, and sewage treatment facilities that have a value on the books, but cannot be sold as with private businesses assets.

Here is an explanation of the various funds you will see as they relate to the City of Winooski.

Governmental Activities

You will see several terms in these statements. "Governmental Activities" refers to basic city services funded by revenue from sources like taxes, fees and fines, charges for services, or grants. Our Tax Increment Financing District financials are represented in this category as well.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Major Governmental Funds

Within the Government activities statement we have four major funds. The first is the **General Fund** which includes all activities funded in whole or in large part by revenue from property taxes, charges for services, fees and fines, interest¹, and reimbursements for services from the business-type funds, from the school for the School Resource Officer, and from the State for highway maintenance. It also includes reserve funds that include money that has been put aside for special uses. This fund also includes programs that the City runs with solely or mostly with grants and donations over time ó youth programming, senior funds, Justice Center, sequestered funds (Fire and Police), and Reparative Board Funds. These programs depend on grants for their existence and would not exist without an outside funding source or increased revenue from taxes or fees.

The second fund is the **TIF Downtown Fund** which includes revenue from property taxes generated in the Downtown Redevelopment Area over and above the value of properties in the area before the project began. This is called the òincrementö. It also includes revenue from land sales and leases, a contribution from the parking garage, and any revenue generated in the area that was not available prior to the district being established. This also is where the expenses that are exclusive to the TIF are represented. This includes repairs and maintenance of items built in the district, further investment in infrastructure (like adding to the Riverwalk), and principal and interest payments on the debt.

The **Community Development Loan Fund** is money the City has acquired through grants or through property sales that is used to assist homeowners in bringing their properties into compliance with various regulations. They are Home Improvement Program loans that may be made at low or no interest and may have terms that require payment at time if sale.

Finally, the **City Capital Reserve Fund** contains money the City sets aside in anticipation of needing to replace or make major repairs to city assets.

Nonmajor Funds

The Nonmajor funds are typically small funds (see Schedule 2) that receive revenue from grants or other targeted programs by the state. These programs include Asset Forfeiture (Police Restricted Fund), Women Helping Battered Women (city awarded grant run by WHBW), Justice Assistance Grant (police restricted fund), Community Center (donations to center), and Swim Team (old account used closed in 2013).

STATEMENT OF NET POSITION – ALL FUNDS

The Statement of Net Position reflects the cost basis of all of the assets as of June 30, 2013. This includes cash and receivables (money we are owed for services performed or delinquent taxes), notes receivable (largely in the TIF), prepaid expenses (items or services we paid for, but have not received), internal balances (money held in the general fund but belonging to other funds and always equals 0), and capital assets. The values are listed on Exhibit A.

¹ The City's funds are currently kept in a saving account or a money market account at TD Bank. The City's policy is to have no risk in our investments, which concurs with requirements on the Federal grants we receive and on our municipal bonds.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

This is a summary of our Net Position

	2013		
	Governmental	Business-type	Total
	Activities	Activities	Government
Current and other assets	\$ 7,343,422	\$ 3,203,726	\$ 10,547,148
Capital assets	29,044,092	24,293,867	53,337,959
Total assets	<u>36,387,514</u>	<u>27,497,593</u>	<u>63,885,107</u>
Other liabilities	1,906,098	212,223	2,118,321
Long term liabilities	27,257,853	1,914,943	29,172,796
Total liabilities	<u>29,163,951</u>	<u>2,127,166</u>	<u>31,291,117</u>
Deferred Inflows of Resources	<u>5,408</u>	<u>0</u>	<u>5,408</u>
Net position:			
Net investment in capital assets	2,001,225	23,122,712	25,123,937
Restricted	2,510,139	261,250	2,771,389
Unrestricted	<u>2,706,791</u>	<u>1,986,465</u>	<u>4,693,256</u>
Total net position	<u>\$ 7,218,155</u>	<u>\$ 25,370,427</u>	<u>\$ 32,588,582</u>

Deferred Inflows of Resources are items or services that people have paid for in one fiscal year with delivery expected in the next year. In this case, it represents taxes that were paid in advance of when they were due.

It is difficult to draw significant conclusions at this point as the Statement of Net Position is meant to be analyzed as a trend. Given that we have one year, a trend is not possible.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Statement of Activities-Exhibit B

A summary of the statement of activities and changes in net position is as follows:

	2013		
	Governmental Activities	Business-type Activities	Total Government
REVENUES			
Program revenues:			
Charges for services	\$ 1,480,391	\$ 2,682,351	\$ 4,162,742
Operating grants	1,474,547	0	1,474,547
Capital grants and contributions	93,753	28,694	122,447
General revenues:			
Property taxes and penalties	6,634,148	0	6,634,148
Earnings from investments	13,112	558	13,670
Gain (loss) on sale of capital assets	541,744		541,744
Other	54,208	0	54,208
Total revenues	<u>10,291,903</u>	<u>2,711,603</u>	<u>13,003,506</u>
PROGRAM EXPENSES			
General government	1,499,987	0	1,499,987
Public safety	2,929,329	0	2,929,329
Public works	1,991,001	0	1,991,001
Culture and recreational	659,728	0	659,728
Community development	1,391,255	0	1,391,255
Interest on long-term debt	1,286,438	0	1,286,438
Sewer	0	1,087,911	1,087,911
Water	0	822,407	822,407
Parking garage	0	652,700	652,700
Total program expenses	<u>9,757,738</u>	<u>2,563,018</u>	<u>12,320,756</u>
Excess revenues (expenses)			
before transfers	534,165	148,585	682,750
Transfers	<u>355,038</u>	<u>(355,038)</u>	<u>0</u>
Change in Net Position	<u>\$ 889,203</u>	<u>\$ (206,453)</u>	<u>\$ 682,750</u>

The results will be discussed by category below.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Government-Wide Budget Performance

General Fund (Schedule 1)

The audit will reflect several different types of activities in the General Fund. We will divide those into three categories. The first is our General Fund, and will include activities financed with revenue from taxes or fees. The second category contains Program Funds, and will include programs financed through grants or donations. If those grants or donations ceased, the programs would cease. The third is made up of Reserve Funds, and are explained below.

General Fund Revenue Performance to Budget

Overall revenue in the General fund exceeded budget by \$35,550 (.5%). Taxes and PILOT (Payment in Lieu of Taxes paid largely by properties owned by the state and federal government) performed as expected. In Charges for Service, Zoning and Rental Registry fees drove the increases. Interest income is way down due to very low interest rates and the inability of the City to invest in any instrument that involves risk. Intergovernmental revenues were largely due to our ability to track expenses in the Business-wide funds meaning the expenses were down too.

Fees, Fines, and Forfeitures performed as expected. Licenses and Permits also performed as expected. Other revenue includes some agreement with Vermont Gas and Whitcomb Construction that contribute to the general fund. The reason for the overage was all one time activity (late payment on one agreement and insurance claims that had associated expenses).

The Community Center saw an increase in revenue AND expenses having no impact on our final results. The leases of the agencies in the Community Center are structured so that an increase in operating expenses (heat, electricity, and water) is shared. Investments in the building are covered by a reserve fund established with donations not needed for initial construction.

General Fund Expenses Performance to Budget

Expenses in this fund were lower than expected by \$190,144 (3.15%). This was largely due to three key factors, a light winter, an investment in LED light fixtures on the streets, and from carrying open positions due to turnover or disability. We also saved money in our property and casualty insurance line due to an improvement in our safety record. Most of these savings were realized in the Public Works department. See details:

Category	Savings
Winter Operations (Snow removal, salt, and overtime)	\$ 74,008.61
Energy Efficiency	20,689.21
Property and Casualty Savings	22,537.02
Vacancy Savings	72,424.05
Total	\$ 189,658.89

The Police department spent \$31,078 more than budgeted. This was driven by \$22,000 in charges for parking software that was not foreseen when preparing the budget, but was needed to bring us into compliance with financial reporting requirements. The remainder was a combination of factors, but largely due to the overtime costs associated with filling vacant shift due to military deployments and other long term leave. This leaves ~\$32,000 of expenses under budget all due to small savings across a number of departments.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The result is a contribution to the City's General Fund Balance of \$225,694 on a non-GAAP budgetary basis.

Changes in Fund Balances

This section addresses how well the City performed financially in fiscal year 2013. Governmental Activities increased the City's governmental fund balances \$973,187 during the year. The details are in Exhibit D. This is complicated by the conversion of accounting systems and does not reflect money the City has to spend. This number will be more useful over the longer term as an indicator of financial health. Specifically, the funds performed as follows:

General Fund (Schedule)

The General Fund raised \$225,694 more than we spent in FY 2013 on a budgetary basis as explained above. In general, the budget was very close to predicted where foresight was possible. Mild winters will not continue. Vacancy saving in a small operation of 47 people is not practical to budget, and grant money for energy efficiency projects were not available during the budget process. The results will not impact our budgeting at this point. Continued trends may allow for a change in our assumptions.

Outside of the actual General Fund, the following small and special revenue funds produced more revenue than budgeted.

Program	Balance	Notes
Community Services Programs	\$ 30,125	Grants with balances to be spent in FY 14 and revenue from fees on After School Program (largely through subsidies).
Reserves	40,138	Largely due to funds we are putting aside for an anticipated project to avoid financing.
Fire Programs	2,264	Funds that must be used for Haz Mat training in the Fire Department

With those balances, on a GAAP basis the total reported change in fund balance is \$298,221 for 2013.

Other Major and Nonmajor Funds in Government-wide Activities

The remainder of the change in net assets occurred in funds other than the General Fund. The TIF raised \$1,011,310 more than we spent. This was largely due to the sale of a lot for \$1,000,000. Without the land sale, the TIF broke even during the fiscal year. We anticipate stronger performance going forward with the development of several projects either complete in FY 14 or planned for the near future. This will raise the amount contributed by taxes, include another land sale of \$800,000.

In the Community Development Loan Program, we saw two grants used to rehabilitate properties owned by the Champlain Housing Trust. Revenues roughly equaled expenses. We saw the repayment of two Home Improvement Project (HIP) loans that resulted in an increase of net position of \$51,553.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The City Capital Reserve Fund saw a loss due to the way we account for activity. This loss of position was the spending the 2012 street bond funds as planned.

Understanding Transfers

A list of transfers appears in the notes to the financial statements. Transfers are used in two ways. First is a method the City uses to track the expenditures like insurance and building expenses in the General Fund then allocate (charge) the proper fund at the end of the year. This saves time in our finance department. Here is the exact explanation:

Item	Amount	Reason
General Fund to Justice Center	\$11,000	The City must provide a match to the grant of 10% of the cost of the program. We run the expenses in a special fund to make reporting easier and transfer the match from the Police Department at the end of the year.
General Fund to Capital	\$376,643	The City runs all capital expenses out of a separate fund that is listed in the major funds. This is the amount approved by the voters, dedicated to capital. Running a separate fund assures all monies are spent as intended and allows us to put aside money over several years (save) toward a repair or replacement. (see City Capital Reserve Fund)
TIF Downtown to General Fund	\$210,643	The amount of the budget representing work the City performed in the TIF district over and above what was needed before the project. This is allowed in Act 159 of 2000 (Winooski TIF), in Act 80 of 2013 (TIF Adjustment) and in the Rulemaking underway.
Asset Forfeiture to JAG Fund	\$285	Funds required to provide a 10% match to a grant for the installation of cameras for the officers.
Community Center to General Fund	\$54,883	Funds required from the O'Brien Center Capital Reserve to support the operation of the building
Swim Team Fund	\$1,914	Funds that were provided by the swim team to offset lifeguard fees during practice and meets. Used to help purchase the lift at the pool.
Parking Garage to TIF Downtown	\$226,575	Funds required by the terms of the bond to help make payments. All excess income over a \$100,000 fund balance and reserves for planned capital expenses must be swept into the TIF.
Water and Sewer to Capital Reserve	\$ 58,920 and \$69,543	Funds from the 2012 Street Reconstruction Bond that were not spent. These funds will be used prior to June 30, 2014 on remaining bond projects.

Statement of Revenue, Expenditures and Changes in Fund Balances – Government Activities

This leaves a fund balance in the general fund of \$1,402,314 (see Exhibit C). Of this amount, \$183,163 is non-spendable, reflecting commitments made by the City. Another \$709,527 is assigned by the Council to various projects. The Council may elect to spend these funds in any manner; however they reflect long term commitments that are unlikely to change without a crisis. The remaining \$509,624 is unassigned and reflects 8.4% of the approved 2013 budget. This is slightly over the thirty days cash on hand level set by Council and may require shifting the balance to the Capital Reserve fund. The allowable balance is \$500,280. The difference of \$9,344 is not material.

Fund balance describes the health of the City and includes all of our current assets and liabilities. We have thirty days cash on hand in the General Fund and in our Special Revenue Funds as required by Council Policy.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Our conclusion is that the Government Activities are in a strong position with the exception of our capital fund being underfunded and burdened by debt payments and issues in the TIF Downtown fund relating to a loan from Ray Pecor and one from the WCDC. The long term health of the O'Brien Community Center is strong when we look at operating expenses, though leases with our partners could change that outlook. It is unlikely, however, that the Center will continue to contribute to the City General fund over time.

BUSINESS-TYPE ACTIVITIES

Business-type Activities

The other area is "Business-type Activities", referring to areas that are fully funded through charges for a product or service. In our case, these are the **Water, Sewer (Waste Water), and Parking Garage** operations. Funding from governmental activities may not be used to support business-type activities or vice versa without special agreements.

Budget Performance

Revenues in Business-Type funds are based on fees for service. The Water and Sewer Department bill for usage. The Parking Garage has long and short term fees and daily meter collection. (See Exhibit F and G for details)

Water

Water revenues were \$33,944 (4.24%) over budget largely due to increased water usage. Operating expenses were \$70,825 over budget, largely due to an unbudgeted \$69,543 from the Water Fund into the City Capital Projects Fund, returning its unspent allocation of funding from the 2012 Street Reconstruction Bond. See Exhibit G. It should be noted that the fund had a budgeted shortfall of \$20,991 to reduce the amount of reserves the fund is carrying and to keep our charge for water down.

Change in Net Position

The resulting loss in net position was \$58,006, all of this due solely to the return of unused bond funds and not from operations. The unrestricted net position for this fund is \$724,276, well above the thirty day cash on hand requirement approved by Council. Staff will be reviewing deferred capital projects to assign this funding to in the future.

Sewer

The Sewer Fund currently pays for storm water activities as well as sewerage. The systems are linked in a number of ways, and this makes sense to the City.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Sewer revenue was \$179,422 (18.1%) over budget for the year. Of this amount \$92,617 was from Aid-in-Expansion fees paid by new development that is designated to increase the capacity of the system into the future. We do not budget for Aid-In-Expansion as it cannot be used to support general operations. This fund also awarded a capital grant of \$28,694 and \$48,204 in contributions from the Highland Industrial Park Association used to replace and improve their storm water pond. The remaining \$9,907 is attributable to the same increase in usage experienced by the Water Fund and interest earned.

The expenses excluding transfers were more than budgeted by \$33,111 (3.1%). This was specifically related to the additional expenses to complete the Highland Park storm water ponds which also generated offsetting revenue noted above. It is important to note that the Sewer Fund was intentionally budgeted to have a \$62,949 shortfall to indicate the use of prior year reserves.

The City moved \$58,920 from the Sewer Fund into the City Capital Projects Fund This transfer, as in the Water Fund, represents a reallocation of funding from the 2012 Street Reconstruction Bond that was unspent following the completion of the storm water project.

Change in Net Position

This resulted in a recorded gain in net position of \$24,441. The unrestricted net position is well over the thirty day cash on hand requirement. Staff will be reviewing deferred capital projects to assign this funding to in the future. In addition, we anticipate an expensive process when required to meet the new total maximum daily limits (TMDL) for pollutants that will take effect when the court case is settled. A portion of the balance in this fund has been ear marked to help defray those expenses.

Parking Garage

The Parking Garage fund is a partner to the TIF Downtown fund and is pledged to transfer any balances over \$100,000 in unassigned balance plus assigned capital funds to the TIF Downtown fund to pay off the bonds used in its construction.

Revenue in the Garage was \$45,942 (6.9%) over budget. This was largely due to a repayment of a past due account owed by a lessor. This is a one time event that will not recur. The expenses excluding transfers and capital items were under the budget by \$57,898. This major savings was due to effective maintenance practices on equipment resulting in a savings of \$27,459, direct expensing to the fund reduced the amount owed to the General Fund for services by \$14,920, savings on insurances of \$9,259 due to lower than anticipated usage and an unused contingency budget of \$5,000.

Expenses relating to capital were \$175,122 over budget. This was due to capital purchases being budgeted in the year an asset is purchased. In reality, however, we the purchase is recognized amount over the years of its life though depreciation. For the fiscal year 2013 the planned capital expenses were less than the depreciation expense total for the year.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Change in Net Position

At the end of the year the result was a large contribution to the TIF Downtown Fund of \$226,575 which was approximately \$101,575 over the initial projection. The resulting change in net position was a decrease of \$172,888 to transfer the unassigned fund balance over the \$100,000 permitted to be held.

Business Activities Total

The total change in fund balance for Business-Wide Activities is as follows:

Fund	Fund Balance
Water	\$ (58,006)
Sewer (Storm Water)	24,441
Parking Garage	<u>(172,888)</u>
Total	<u><u>\$ (206,453)</u></u>

GASB Compliance Note

Note that in each of these funds, depreciation is recorded as an expense and capital purchases are recorded on the balance sheet.

Capital Assets-Government Wide

Capital assets includes the original cost (in some cases estimated) of all of our buildings, fleet, land (parks), sidewalks, streets, and equipment that were purchased for over \$3,000. It also accounts for depreciation (basically wear and tear that brings the value down) on those items. For example, if you buy a new pick up truck for \$15,000 and try to sell it in three years, you will likely get something like \$8,000. Depreciation would then be \$7,000 and the financial statement would carry a value of \$8,000 rather than \$15,000.

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The following is a summary of the cost of the City's assets:

**Capital Assets at Year-End
(Net of Accumulated Depreciation)**

	2013		
	Governmental	Business-type	Total
	Activities	Activities	Government
Land	\$ 2,938,576	\$ 647,573	\$ 3,586,149
Construction in progress	0	19,802	19,802
Parking garage		15,243,726	15,243,726
Buildings, distribution & collection systems	0	17,862,817	17,862,817
Buildings & improvements	6,513,283	0	6,513,283
Equipment	2,697,339	1,215,976	3,913,315
Infrastructure	33,035,096	0	33,035,096
Accum. Depreciation	(16,140,202)	(10,696,027)	(26,836,229)
Totals	<u>\$ 29,044,092</u>	<u>\$ 24,293,867</u>	<u>\$ 53,337,959</u>

Land includes all holdings including parks and open spaces, parking lots, and land under and around buildings. Construction in progress represents large projects underway, but not yet complete. The current balance represents the installation of a generator in the parking garage. Buildings, distribution, & collection system is the water system, the storm water system, the sewer system, and the waste water treatment facility. Buildings and improvements include all City buildings including City Hall, the Fire Department, Myers Pool, the O'Brien Community Center, Public Works Garage, a bus station, the Senior Center, and any other small buildings owned by the City. Equipment includes our fleet and any item we use whose cost is over \$3,000. Infrastructure is streets, sidewalks, curbs, bridges, and lighting.

Liabilities and Long Term Debt

Liabilities in this statement refer to money the City owes. A summary appears in the notes in the audit.

Outstanding Debt at Year End:

	2013		
	Governmental	Business-type	Total
	Activities	Activities	Government
Bonds payable	\$ 22,472,605	\$ 1,057,395	\$ 23,530,000
Notes payable	4,098,000	0	4,098,000
Capital leases	172,262	0	172,262
Other long term debt	0	113,760	113,760
	<u>\$ 26,742,867</u>	<u>\$ 1,171,155</u>	<u>\$ 27,914,022</u>

**CITY OF WINOOSKI VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

From the year, we can conclude that for every liability (mostly debt) we have clear sources of funds to assure payment, including the TIF with the exception of the Pecor and the WCDC notes. We expect the Pecor note to be addressed in the process of renegotiating our letter of credit with the bank on the main bond. This should have targeted revenue in FY 2014. The WCDC note is money we essentially owe a fund that City controls and can be managed.

We have no unaddressed other post employment benefits. The City does not fund our own pension plan and has a modest contribution to insurance for early retirees for health insurance coverage until he/she is eligible for a federal program.

The O'Brien Center is on solid ground currently. As with any landlord, we are dependent on our tenants continuing to stay in the building. We have leases through 2017.

All funds have at least thirty days cash on hand where required.

This information allows us to conclude the City is in a strong position at this point.

CITY OF WINOOSKI, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,491,895	\$ 389,999	\$ 6,881,894
Receivables (Net of Allowance for Uncollectibles)	943,635	577,391	1,521,026
Notes Receivable	1,856,915	0	1,856,915
Prepaid Expenses	281,719	5,594	287,313
Internal Balances	(2,230,742)	2,230,742	0
Capital Assets			
Land	2,938,576	647,573	3,586,149
Construction in Progress	0	19,802	19,802
Other Capital Assets, (Net of Accumulated Depreciation)	26,105,516	23,626,492	49,732,008
Total Assets	<u>36,387,514</u>	<u>27,497,593</u>	<u>63,885,107</u>
LIABILITIES			
Accounts Payable	75,861	77,044	152,905
Accrued Payroll and Benefits Payable	143,994	12,888	156,882
Unearned Revenue	35,952	122,291	158,243
Accrued Interest Payable	1,650,291	0	1,650,291
Noncurrent Liabilities:			
Unearned Revenue	0	692,307	692,307
Due within One Year	1,260,323	120,122	1,380,445
Due in More than One Year	25,997,530	1,102,514	27,100,044
Total Liabilities	<u>29,163,951</u>	<u>2,127,166</u>	<u>31,291,117</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid Property Taxes	5,408	0	5,408
Total Deferred Inflows of Resources	<u>5,408</u>	<u>0</u>	<u>5,408</u>
NET POSITION			
Net Investment in Capital Assets	2,001,225	23,122,712	25,123,937
Restricted For:			
Downtown Project and Debt Service	1,899,074	0	1,899,074
Community Development	534,965	0	534,965
Public Safety	76,100	0	76,100
Sewer Expansion	0	261,250	261,250
Unrestricted	2,706,791	1,986,465	4,693,256
Total Net Position	<u>\$ 7,218,155</u>	<u>\$ 25,370,427</u>	<u>\$ 32,588,582</u>

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 1,499,987	\$ 178,115	\$ 24,137	\$ 0	\$ (1,297,735)	\$ 0	\$ (1,297,735)
Public Safety	2,929,329	360,212	239,697	54,822	(2,274,598)	0	(2,274,598)
Public Works	1,991,001	0	61,837	0	(1,929,164)	0	(1,929,164)
Culture and Recreation	659,728	144,321	45,798	0	(469,609)	0	(469,609)
Community Development	1,391,255	797,743	1,103,078	38,931	548,497	0	548,497
Interest on Long-term Debt	1,286,438	0	0	0	(1,286,438)	0	(1,286,438)
Total Governmental Activities	9,757,738	1,480,391	1,474,547	93,753	(6,709,047)	0	(6,709,047)
Business-Type Activities:							
Water	822,407	833,810	0	0	0	11,403	11,403
Sewer	1,087,911	1,142,154	0	28,694	0	82,937	82,937
Parking Garage	652,700	706,387	0	0	0	53,687	53,687
Total Business-Type Activities	2,563,018	2,682,351	0	28,694	0	148,027	148,027
Total Primary Government	\$ 12,320,756	\$ 4,162,742	\$ 1,474,547	\$ 122,447	(6,709,047)	148,027	(6,561,020)
General Revenues and Transfers:							
Property Taxes					6,586,618	0	6,586,618
Interest and Penalties on Delinquent Taxes					47,530	0	47,530
Unrestricted Investment Earnings					13,112	558	13,670
Other Revenues					54,208	0	54,208
Gain on Sale of Land					541,744	0	541,744
Interfund Transfers					355,038	(355,038)	0
Total General Revenues and Transfers					7,598,250	(354,480)	7,243,770
Change in Net Position					889,203	(206,453)	682,750
Net Position - July 1, 2012					6,328,952	25,576,880	31,905,832
Net Position - June 30, 2013					\$ 7,218,155	\$ 25,370,427	\$ 32,588,582

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

CITY OF WINOOSKI, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	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	\$ 3,837,781	\$ 2,392,039	\$ 260,939	\$ 0	\$ 1,136	\$ 6,491,895
Receivables (Net of Allowance for Uncollectibles)	229,098	707,080	0	820	6,637	943,635
Prepaid Expenses	183,163	6,000	0	26,649	65,907	281,719
Due from Other Funds	669,733	0	400	553,603	305,428	1,529,164
Notes Receivable (Net of Allowance)	0	1,500,000	356,915	0	0	1,856,915
TOTAL ASSETS	\$ 4,919,775	\$ 4,605,119	\$ 618,254	\$ 581,072	\$ 379,108	\$ 11,103,328
<u>LIABILITIES</u>						
Accounts Payable	\$ 44,965	\$ 4,780	\$ 0	\$ 26,116	\$ 0	\$ 75,861
Accrued Payroll and Payroll Taxes	141,978	0	0	0	2,016	143,994
Due to Other Funds	3,191,663	498,377	0	0	69,866	3,759,906
Unearned Revenue	12,545	0	0	0	23,407	35,952
Total Liabilities	3,391,151	503,157	0	26,116	95,289	4,015,713
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	5,408	0	0	0	0	5,408
Unavailable Property Taxes, Penalties and Interest	113,582	0	0	0	0	113,582
Unavailable Receivables	0	2,202,888	356,915	0	0	2,559,803
Unavailable Grant Revenue	0	0	0	0	6,637	6,637
Other	7,320	0	0	0	0	7,320
Total Deferred Inflows of Resources	126,310	2,202,888	356,915	0	6,637	2,692,750
<u>FUND BALANCES</u>						
Nonspendable	183,163	6,000	0	26,649	65,907	281,719
Restricted	0	1,893,074	261,339	352,411	283,819	2,790,643
Assigned	709,527	0	0	175,896	0	885,423
Unassigned	509,624	0	0	0	(72,544)	437,080
Total Fund Balances	1,402,314	1,899,074	261,339	554,956	277,182	4,394,865
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,919,775	\$ 4,605,119	\$ 618,254	\$ 581,072	\$ 379,108	

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.	29,044,092
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Funds.	2,687,342
Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	(28,908,144)
Net Position of Governmental Activities	\$ 7,218,155

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 4,783,020	\$ 1,859,407	\$ 0	\$ 0	\$ 0	\$ 6,642,427
Charges for Services	493,231	0	0	0	0	493,231
Investment Income	7,116	75,761	5,235	0	0	88,112
Intergovernmental	110,367	48,183	661,722	0	324,534	1,144,806
Fees, Fines and Forfeits	230,834	0	0	0	0	230,834
Rent & Lease Income	241,144	188,545	0	0	0	429,689
Licenses & Permits	34,053	0	0	0	0	34,053
Donations	19,470	0	0	1,935	120,495	141,900
Loan Repayments	0	0	63,868	0	0	63,868
Cascade Unit Sales Profit Sharing	0	30,000	0	0	0	30,000
Other	83,760	1,108	0	0	12,583	97,451
Total Revenue	6,002,995	2,203,004	730,825	1,935	457,612	9,396,371
Expenditures:						
General Government	1,109,372	92,911	0	0	0	1,202,283
Public Safety	1,797,171	0	0	3,787	289,087	2,090,045
Public Works	445,064	0	0	282,501	0	727,565
Culture & Recreation	373,448	0	0	7,592	0	381,040
Public Buildings & Facilities	373,848	0	0	6,003	0	379,851
Employee Benefits	1,024,775	0	0	0	0	1,024,775
Regional Programs	211,469	0	0	0	0	211,469
Health	7,609	0	0	0	0	7,609
Community Development	11,024	315,924	679,272	0	15,035	1,021,255
Capital Outlay:						
Public Safety	43,672	0	0	49,109	38,121	130,902
Public Works	0	0	0	285,740	0	285,740
Public Buildings & Facilities	0	0	0	13,353	92,318	105,671
Debt Service:						
Bond and Note Principal	110,000	850,000	0	168,009	0	1,128,009
Interest	75,543	948,453	0	58,012	0	1,082,008
Total Expenditures	5,582,995	2,207,288	679,272	874,106	434,561	9,778,222
Excess/(Deficiency) of Revenue Over Expenditures	420,000	(4,284)	51,553	(872,171)	23,051	(381,851)
Other Financing Sources/(Uses):						
Sale of Land	0	1,000,000	0	0	0	1,000,000
Transfers In	265,864	226,575	0	507,020	11,285	1,010,744
Transfers Out	(387,643)	(210,981)	0	0	(57,082)	(655,706)
Total Other Financing Sources/(Uses)	(121,779)	1,015,594	0	507,020	(45,797)	1,355,038
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing/(Uses)	298,221	1,011,310	51,553	(365,151)	(22,746)	973,187
Fund Balances - July 1, 2012, As Reclassified	1,104,093	887,764	209,786	920,107	299,928	3,421,678
Fund Balances - June 30, 2013	\$ 1,402,314	\$ 1,899,074	\$ 261,339	\$ 554,956	\$ 277,182	\$ 4,394,865

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

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, 2013

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)	\$ 973,187
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$522,313) is allocated over their estimated useful lives and reported as depreciation expense (\$1,156,007). This is the amount by which depreciation expense exceeded capital outlays in the current period.	(633,694)
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. The City sold land with a cost basis of \$458,266 for \$1,000,000 which is the majority of this amount.	(482,474)
The issuance of long-term debt (\$-0-) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$1,128,009) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,128,009
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 increase of unearned and unavailable revenue over last year.	71,903
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>(167,728)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 889,203</u>

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Water Fund	Sewer Fund	Parking Garage Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 97,196	\$ 292,803	\$ 0	\$ 389,999
Receivables (Net of Allowance for Uncollectibles)	201,806	336,649	38,936	577,391
Due from Other Funds	478,470	614,278	1,137,994	2,230,742
Prepaid Expenses	<u>0</u>	<u>32</u>	<u>5,562</u>	<u>5,594</u>
Total Current Assets	<u>777,472</u>	<u>1,243,762</u>	<u>1,182,492</u>	<u>3,203,726</u>
Noncurrent Assets:				
Capital Assets:				
Land	0	77,604	569,969	647,573
Construction in Progress	0	0	19,802	19,802
Machinery and Equipment	245,547	953,379	154,583	1,353,509
Buildings, Distribution/Collection Systems & Improvements	5,057,999	12,667,285	15,243,726	32,969,010
Less: Accumulated Depreciation	<u>(1,923,333)</u>	<u>(6,202,159)</u>	<u>(2,570,535)</u>	<u>(10,696,027)</u>
Total Noncurrent Assets	<u>3,380,213</u>	<u>7,496,109</u>	<u>13,417,545</u>	<u>24,293,867</u>
Total Assets	<u>\$ 4,157,685</u>	<u>\$ 8,739,871</u>	<u>\$ 14,600,037</u>	<u>\$ 27,497,593</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 31,734	\$ 43,052	\$ 2,258	\$ 77,044
Accrued Payroll and Benefits Payable	3,637	5,460	3,791	12,888
Unearned Revenue - Current Portion	0	0	122,291	122,291
General Obligation Bonds Payable - Current Portion	14,851	95,791	0	110,642
Due to Champlain Water District - Current Portion	<u>9,480</u>	<u>0</u>	<u>0</u>	<u>9,480</u>
Total Current Liabilities	<u>59,702</u>	<u>144,303</u>	<u>128,340</u>	<u>332,345</u>
Noncurrent Liabilities:				
Compensated Absences Payable	17,825	21,405	12,251	51,481
Unearned Revenue - Noncurrent Portion	0	0	692,307	692,307
General Obligation Bonds Payable - Noncurrent Portion	255,289	691,464	0	946,753
Due to Champlain Water District - Noncurrent Portion	<u>104,280</u>	<u>0</u>	<u>0</u>	<u>104,280</u>
Total Noncurrent Liabilities	<u>377,394</u>	<u>712,869</u>	<u>704,558</u>	<u>1,794,821</u>
Total Liabilities	<u>437,096</u>	<u>857,172</u>	<u>832,898</u>	<u>2,127,166</u>
NET POSITION				
Net Investment in Capital Assets	2,996,313	6,708,854	13,417,545	23,122,712
Restricted for Sewer Improvements-Expendable	0	261,250	0	261,250
Unrestricted	<u>724,276</u>	<u>912,595</u>	<u>349,594</u>	<u>1,986,465</u>
Total Net Position	<u>3,720,589</u>	<u>7,882,699</u>	<u>13,767,139</u>	<u>25,370,427</u>
Total Liabilities and Net Position	<u>\$ 4,157,685</u>	<u>\$ 8,739,871</u>	<u>\$ 14,600,037</u>	<u>\$ 27,497,593</u>

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Parking Garage Fund	Total
Operating Revenues:				
Charges for Service	\$ 833,810	\$ 1,142,154	\$ 706,387	\$ 2,682,351
Total Operating Revenues	<u>833,810</u>	<u>1,142,154</u>	<u>706,387</u>	<u>2,682,351</u>
Operating Expenses:				
Salaries and Benefits	205,209	329,878	196,049	731,136
Water Purchases	331,650	0	0	331,650
Purchased Services	14,431	180,478	18,240	213,149
Repairs and Maintenance	74,079	72,942	38,083	185,104
Electricity and Fuel	7,455	68,775	33,841	110,071
Administration	35,153	29,379	27,080	91,612
Other	27,500	76,068	11,898	115,466
Depreciation	106,662	312,922	327,509	747,093
Total Operating Expenses	<u>802,139</u>	<u>1,070,442</u>	<u>652,700</u>	<u>2,525,281</u>
Operating Income	<u>31,671</u>	<u>71,712</u>	<u>53,687</u>	<u>157,070</u>
Non-Operating Revenues/(Expenses):				
Loss on Disposition of Assets	(5,715)	(7,851)	0	(13,566)
Investment Income	134	424	0	558
Interest Expense	<u>(14,553)</u>	<u>(9,618)</u>	<u>0</u>	<u>(24,171)</u>
Total Non-Operating Revenues/(Expenses)	<u>(20,134)</u>	<u>(17,045)</u>	<u>0</u>	<u>(37,179)</u>
Net Income Before Capital Contributions and Transfers	11,537	54,667	53,687	119,891
Transfers Out	(69,543)	(58,920)	(226,575)	(355,038)
Capital Contributions	<u>0</u>	<u>28,694</u>	<u>0</u>	<u>28,694</u>
Change in Net Position	(58,006)	24,441	(172,888)	(206,453)
Net Position - July 1, 2012, As Restated	<u>3,778,595</u>	<u>7,858,258</u>	<u>13,940,027</u>	<u>25,576,880</u>
Net Position - June 30, 2013	<u>\$ 3,720,589</u>	<u>\$ 7,882,699</u>	<u>\$ 13,767,139</u>	<u>\$ 25,370,427</u>

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Parking Garage Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 825,006	\$ 1,113,807	\$ 635,858	\$ 2,574,671
Payments to Suppliers	(466,177)	(436,953)	(102,546)	(1,005,676)
Payments for Wages and Benefits	(206,911)	(330,950)	(198,170)	(736,031)
Paid to General Fund - Administration	(35,153)	(29,379)	(27,080)	(91,612)
Net Cash Provided by Operating Activities	<u>116,765</u>	<u>316,525</u>	<u>308,062</u>	<u>741,352</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease/(Increase) in Due from Other Funds	<u>19,019</u>	<u>(111,467)</u>	<u>(61,685)</u>	<u>(154,133)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>19,019</u>	<u>(111,467)</u>	<u>(61,685)</u>	<u>(154,133)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grant Contributions	0	28,694	0	28,694
Acquisition and Construction of Capital Assets	(27,357)	(79,639)	(19,802)	(126,798)
Proceeds from Sales of Capital Assets	0	10,000	0	10,000
Transfers to Other Funds	(69,543)	(58,920)	(226,575)	(355,038)
Principal Paid	(24,331)	(95,791)	0	(120,122)
Interest Paid	(14,553)	(9,618)	0	(24,171)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(135,784)</u>	<u>(205,274)</u>	<u>(246,377)</u>	<u>(587,435)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest & Dividends	<u>134</u>	<u>424</u>	<u>0</u>	<u>558</u>
Net Cash Provided by Investing Activities	<u>134</u>	<u>424</u>	<u>0</u>	<u>558</u>
Net Increase in Cash	134	208	0	342
Cash - July 1, 2012	<u>97,062</u>	<u>292,595</u>	<u>0</u>	<u>389,657</u>
Cash - June 30, 2013	<u>\$ 97,196</u>	<u>\$ 292,803</u>	<u>\$ 0</u>	<u>\$ 389,999</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	31,671	71,712	53,687	157,070
Depreciation	106,662	312,922	327,509	747,093
(Increase)/Decrease in Receivables	6,699	(5,585)	45,543	46,657
(Increase)/Decrease in Prepaid Expenses	64	(32)	(1,792)	(1,760)
Increase/(Decrease) in Accounts Payable	(11,126)	(38,658)	1,308	(48,476)
Increase/(Decrease) in Accrued Payroll	(81)	(351)	113	(319)
Increase/(Decrease) in Unearned Revenue	(15,503)	(22,762)	(116,072)	(154,337)
Increase/(Decrease) in Compensated Absences Payable	(1,621)	(721)	(2,234)	(4,576)
Net Cash Provided by Operating Activities	<u>\$ 116,765</u>	<u>\$ 316,525</u>	<u>\$ 308,062</u>	<u>\$ 741,352</u>
Schedule of Non-Cash Capital and Related Financing Activities:				
Assets Disposed:				
Cost	\$ 25,212	\$ 204,735	\$ 0	229,947
Accumulated Depreciation	(19,497)	(186,884)	0	(206,381)
	<u>\$ 5,715</u>	<u>\$ 17,851</u>	<u>\$ 0</u>	<u>\$ 23,566</u>

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 ó a mayor and four (4) council members. The City Council appoints a City Manager to oversee the general operations of the City.

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 funds of the City. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the City.

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 present 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 present a shorter-term view of how operations were financed and what remains available for future spending.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 ó governmental and proprietary ó 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 nonmajor funds.

The City reports on the following major governmental funds:

General Fund ó 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 ó 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 ó This special revenue fund accounts for all housing grant and loan projects.

City Capital Reserve Fund ó 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 ó This fund accounts for the operations of the Water Department.

Sewer Fund ó This fund accounts for the operations of the Wastewater and Stormwater Departments.

Parking Garage Fund ó This accounts for operations of the City Parking Garage.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., net 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 current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into 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.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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.

E. Use of Estimates

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

F. New Pronouncements

Effective for the fiscal year ending June 30, 2013, the City of Winooski has implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" (GASB 34), GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures."

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Statements No. 34 and 37, among many other changes, adds two "Government-Wide" financial statements as basic financial statements required for all governmental units. The Statement of Net Assets and the Statement of Activities are the two required statements. Both statements are prepared on the full accrual basis of accounting. Previously, the City used the modified accrual basis of accounting for most of its funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements. In addition, all funds are reported as governmental activities, business-type activities, or fiduciary funds and the business-type entities present their cash flows on the direct method rather than the indirect method. The definitions for these types of activities are discussed in other portions of Note 1. Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

Statement No. 38 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of the GASB Statement No. 34 reporting model. The statement had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

Also effective for the fiscal year ending June 30, 2013, the City of Winooski implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". Statement No. 54 provides guidelines for classifying governmental fund types into special revenue and capital projects funds and for classifying governmental fund balances as nonspendable, restricted, committed or assigned.

Effective June 30, 2013, the City implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

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. The City did not have any items that qualified for reporting in this category.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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. The City has three types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, "unavailable revenue", is reported in the statement of net position and governmental funds balance sheet. The statement of net position reports unavailable revenues from one source; prepaid property taxes. The governmental funds balance sheet reports unavailable revenues from three sources; prepaid property taxes, unavailable property taxes and grants receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

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.

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

5. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. The City has capitalized \$9,712 of interest in the proprietary funds. 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 are 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

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.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

6. Compensated Absences

It is the policy of the City of Winooski to permit employees to accumulate earned but unused vacation, comp-time and sick leave benefits. The entire value of vacation and comp-time leave is paid upon termination. For employees completing five (5) years of service with the City, the City has three (3) separate pay classifications upon termination for accrued sick leave. Police officers can receive up to \$1,500 upon termination based upon a per day amount. Public works and other City employees receive up to 25 days at their daily rate upon termination based upon a per day amount, however, their per day amounts are different. No expenditure is reported for these amounts until paid, except in the Enterprise Funds.

7. Long-term Liabilities

Long-term liabilities include bonds, notes and capital leases payable and other obligations such as compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund 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.

8. 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.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. On or before January 15, 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 department. Any revisions that alter the total budgeted amounts of any department must be approved by the City Council. There were no such revisions in 2013.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

B. Reclassification/Restatement of Fund Balances and Net Position

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments – (GASB 34), GASB Statement No. 37, – Basic Financial Statements – and Management’s Discussion and Analysis – and GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions –. As a result of adopting these standards, certain funds had to be reclassified as to fund type and net position had to be restated due to the addition of fixed assets and debt for the newly classified Enterprise funds. Further, the Sewer Fund was restated for the addition of fixed assets previously not recorded.

	General Fund	Special Revenue Funds	Capital Projects Funds	TIF Downtown Fund	Community Development Loan Fund	Enterprise Fund Sewer Fund	Enterprise Fund Water Fund	Enterprise Fund Parking Garage Fund
Fund Balances/Net Position - June 30, 2012 As Previously Reported	\$ 811,896	\$ 1,456,573	\$ 2,123,509	\$ 0	\$ 0	\$ 3,410,968	\$ 0	\$ 0
Reclassifications:								
Water Fund	0	(741,039)	0	0	0	0	741,039	0
Parking Garage Fund	0	(229,261)	0	0	0	0	0	229,261
TIF Downtown Fund	0	0	(887,764)	887,764	0	0	0	0
Community Center Fund	0	315,638	(315,638)	0	0	0	0	0
Community Development Loan Fund	0	(209,786)	0	0	209,786	0	0	0
General Fund	292,197	(292,197)	0	0	0	0	0	0
Restatements:								
Understatement of Capital Assets	0	0	0	0	0	4,447,290	3,341,993	13,725,252
Understatement of Debt	0	0	0	0	0	0	(284,991)	0
Understatement of Compensated Absences	0	0	0	0	0	0	(19,446)	(14,486)
Fund Balances/Net Position - June 30, 2012 As Reclassified/Restated	<u>\$ 1,104,093</u>	<u>\$ 299,928</u>	<u>\$ 920,107</u>	<u>\$ 887,764</u>	<u>\$ 209,786</u>	<u>\$ 7,858,258</u>	<u>\$ 3,778,595</u>	<u>\$ 13,940,027</u>

The effect of the restatements on the Statement of Net Position is that total assets and net position were increased in the Sewer Fund by \$4,447,290, total assets were increased by \$3,341,193, total liabilities were increased by \$304,437 and net position was increased by \$3,037,556 in the Water Fund, and total assets were increased by \$13,725,252, total liabilities were increased by \$14,486 and net position was increased by \$13,710,766 in the Parking Garage Fund.

The effect of the restatements on the Statement of Activities and Statement of Revenues, Expenses and Changes in Fund Net Position has not been determined.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

IV. DETAILED NOTES ON ALL FUNDS

A. Cash

The City's cash as of June 30, 2013 consisted of the following:

Cash:

Cash on Hand	\$	2,278
Cash with Financial Institutions		<u>6,879,616</u>
 Total Cash	 \$	 <u>6,881,894</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. The following table shows the custodial credit risk of the City's deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 750,000	\$ 750,000
Insured by Letter of Credit Issued by Federal Home Loan Bank of Pittsburg	4,032,902	4,334,552
Uninsured, Uncollateralized	<u>2,096,714</u>	<u>2,096,720</u>
 Total Cash Deposits	 <u>\$ 6,879,616</u>	 <u>\$ 7,181,272</u>

The uninsured, uncollateralized amount includes \$2,069,849 (both book and bank) which could be offset by the Downtown Project bonds as described in Note IV.G.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have any policy to limit the exposure to interest rate risk. The City has no assets with exposure to interest rate risk.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

B. Receivables

Receivables at June 30, 2013, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows.

	Governmental Activities	Business-Type Activities	Total
Delinquent Taxes	\$ 195,388	\$ 0	\$ 195,388
Penalties and Interest	95,952	0	95,952
Billed Services	702,888	61,732	764,620
Unbilled Services	0	441,869	441,869
Grants	6,545	0	6,545
Aid in Expansion Fees	0	83,235	83,235
Parking Tickets	58,575	0	58,575
Other	61,732	0	61,732
Allowance for Doubtful Accounts	(177,445)	(9,445)	(186,890)
	<u>\$ 943,635</u>	<u>\$ 577,391</u>	<u>\$ 1,521,026</u>

C. Loans and Notes Receivable

Loans, with a balance of \$135,705, 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 being repaid.

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 \$221,210 at June 30, 2013 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.

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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 \$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 5%. Interest received in 2013 amounted to \$75,000. 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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,396,832	\$ 0	\$ 458,256	\$ 2,938,576
Construction in Progress	339,596	0	339,596	0
Total Capital Assets, Not Being Depreciated	<u>3,736,428</u>	<u>0</u>	<u>797,852</u>	<u>2,938,576</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,476,133	136,225	99,075	6,513,283
Vehicles, Machinery and Equipment	2,615,630	153,409	71,700	2,697,339
Infrastructure	32,487,163	572,275	24,342	33,035,096
	<u>41,578,926</u>	<u>861,909</u>	<u>195,117</u>	<u>42,245,718</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	1,718,604	132,402	3,630	1,847,376
Vehicles, Machinery and Equipment	1,729,529	257,031	148,200	1,838,360
Infrastructure	11,706,963	766,574	19,071	12,454,466
Totals	<u>15,155,096</u>	<u>1,156,007</u>	<u>170,901</u>	<u>16,140,202</u>
Total Capital Assets, Being Depreciated	<u>26,423,830</u>	<u>(294,098)</u>	<u>24,216</u>	<u>26,105,516</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,160,258</u>	<u>\$ (294,098)</u>	<u>\$ 822,068</u>	<u>\$ 29,044,092</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 647,573	\$ 0	\$ 0	\$ 647,573
Construction in Progress	488,680	19,802	488,680	19,802
Total Capital Assets, Not Being Depreciated	1,136,253	19,802	488,680	667,375
Capital Assets, Being Depreciated:				
Parking Garage	15,243,726	0	0	15,243,726
Buildings, Distribution and Collection				
Systems & Improvements	17,369,082	563,422	69,687	17,862,817
Machinery and Equipment	1,343,982	32,255	160,261	1,215,976
Totals	33,956,790	595,677	229,948	34,322,519
Less Accumulated Depreciation for:				
Parking Garage	2,159,502	315,034	0	2,474,536
Buildings, Distribution and Collection				
Systems & Improvements	7,459,900	312,309	58,661	7,713,548
Machinery and Equipment	535,913	119,750	147,720	507,943
Totals	10,155,315	747,093	206,381	10,696,027
Total Capital Assets, Being Depreciated	23,801,475	(151,416)	23,567	23,626,492
Business-Type Activities Capital Assets, Net	\$ 24,937,728	\$ (131,614)	\$ 512,247	\$ 24,293,867

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 12,376	Water	\$ 106,662
Public Safety	106,283	Sewer	312,922
Public Works	821,308	Parking	327,509
Culture and Recreation	216,040		
Total Depreciation		Total Depreciation	
Expense - Governmental		Expense - Business-	
Activities	\$ 1,156,007	Type Activities	\$ 747,093

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E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2013 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 669,733	\$ 3,191,663
TIF Downtown Fund	0	498,377
Community Development Loan Fund	400	0
City Capital Reserve Fund	553,603	0
Justice Center Fund	22,609	0
Women Helping Battered Women Fund	0	92
Asset Forfeitures Fund	9,193	0
JAG Fund	0	69,774
Community Center Fund	273,626	0
Sewer Fund	614,278	0
Water Fund	478,470	0
Parking Garage Fund	<u>1,137,994</u>	<u>0</u>
 Total	 <u>\$ 3,759,906</u>	 <u>\$ 3,759,906</u>

Interfund transfers during the year ended June 30, 2013 were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Justice Center Fund	\$ 11,000	Local match for Justice Center grant
General Fund	City Capital Reserve Fund	376,643	Capital Plan
TIF Downtown Fund	General Fund	210,981	To offset additional operating costs due to TIF development
Asset Forfeiture Fund	JAG Fund	285	Match for purchase of camera
Community Center Fund	General Fund	54,883	To cover YMCA rental credit
Swimteam Fund	City Capital Reserve Fund	1,914	Close fund and cover cost of pool lift
Parking Garage Fund	TIF Downtown Fund	226,575	Contribution toward debt owed per reissued letter of credit
Sewer Fund	City Capital Reserve Fund	58,920	Unused Bond funds to be used on capital projects
Water Fund	City Capital Reserve Fund	<u>69,543</u>	Unused Bond funds to be used on capital projects
		<u>\$ 1,010,744</u>	

F. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue in the Governmental Activities and the Other Governmental Funds consists of \$23,407 of grant revenue received in advance and \$12,545 of various program fees received in advance. 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 Other Governmental Funds is \$35,952.

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Unearned revenue in the Business-Type Activities and the Parking Garage Fund consists of \$814,598 of parking fees received in advance of which \$122,291 will be recognized in fiscal year 2014. The revenue will be recognized as parking and other services are provided.

Deferred inflows of resources in the General Fund consists of \$5,408 of prepaid property taxes as well as \$113,582 of delinquent property taxes, penalties and interest on those taxes and \$7,320 in other 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 \$126,310.

Deferred inflows of resources in the TIF Downtown Fund consists of \$2,202,888 of receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Community Development Loan Fund consists of \$356,915 in notes receivable not collected with sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Other Governmental Funds consists of \$6,637 of grants receivable 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 Other Governmental Funds are \$6,637.

G. 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 Garage 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 sewer projects.

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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 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, comp-time and sick leave time, the value of which will be paid at their current rate of pay upon retirement, termination or death as discussed in Note I.F.6. 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 one retiree already receiving benefits and one employee who will likely receive benefits in the near future. The amount due within one year is the City's expected liability for 2014 for the one individual receiving benefits.

Long-term liabilities outstanding as of June 30, 2013 were as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Bond Payable of Vermont Municipal Bond Bank, Street Reconstruction, \$10,000 Due Annually Until December, 2012 and \$5,000 Due Annually Until December, 2016, 5.1% Interest Paid Semi-Annually June 1 and December 1	\$ 30,000	\$ 0	\$ 10,000	\$ 20,000
Bond Payable of Vermont Municipal Bond Bank, Fire Truck, \$30,000 Due Annually December 1 through 2013, 4.57% Interest Paid Semi-Annually June 1 and December 1	60,000	0	30,000	30,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Variable Rate Special Obligation				
Refunding Bonds ó Downtown Project, Principal Payments Beginning with a \$2,000,000 Payment in May, 2009 with a Reprieve in Fiscal Year 2010, and then Continuing Annually, Ranging from \$850,000 to \$4,340,000 and Ending May, 2024. Interest is Variable, however, the City has entered into an Interest Rate Swap Agreement with T.D. Bank, N.A. to Limit Substantially all of the Interest to 3.8%. Beginning June, 2006, Monthly Interest Payments are Paid to the Bond Trustee, along with an Interest Rate Swap Payment to T.D. Bank, N.A., Which is Calculated Based on the Fixed Rate of 3.8% less 68% of the Average LIBOR Rate for the Month. The City Must also pay T.D. Bank, N.A. a Quarterly Fee Equal to 80 Basis Points for a Letter of Credit Which is Security for the Bonds and a Quarterly Remarketing Fee to the Remarketing Agent Equal to 10 Basis Points, This Note will be Repaid from the Revenues of the Tax Increment Financing (TIF) District	\$20,050,000	\$ 0	\$850,000	\$19,200,000

CITY OF WINOOSKI, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<p>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, 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 1, 2024. Unpaid Accrued Interest is estimated to be \$1,200,000 at June 30, 2013. Additional Terms Apply for Failure to Repay the Note. This Note is Subordinate to the Variable Rate Special Obligation Refunding Bonds. This Note will be Repaid from the Revenues of the Tax Increment Financing District</p>	\$ 3,000,000	\$ 0	\$ 0	\$ 3,000,000
<p>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 \$70,434 Due Semi-Annually Beginning July 1, 2014 through July 1, 2024. Unpaid Accrued Interest is Estimated to be \$439,200 at June 30, 2013. Additional Terms Apply for Failure to Repay the Note. The Payment of this Note is Subordinate to the Payment in Full of the Variable Rate Special Obligation Refunding Bonds and the Pecor Note. This Note will be Repaid from the Revenues of the Tax Increment Financing District</p>	1,098,000	0	0	1,098,000

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	<u>Beginning Balance</u>		<u>Additions</u>		<u>Deletions</u>		<u>Ending Balance</u>
Bond Payable ó Vermont Municipal Bond Bank, Street Reconstruction, \$74,358 Due Annually on November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually on May 15 and November 15	\$ 1,426,963		\$ 0		\$ 74,358		\$ 1,352,605
Lease Payable ó Key Bank, Dump Truck with Plow and Sidewalk Plow, Interest at 3.39%, \$34,758 of Principal and Interest Due Annually January 10 Through 2016	128,004		0		30,419		97,585
Lease Payable ó Key Bank, Dump Truck with Plow, Interest at 3.49%, \$26,649 of Principal and Interest Due Annually July 15 Through 2015	97,909		0		23,232		74,677
Bond Payable ó 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	<u>1,980,000</u>		<u>0</u>		<u>110,000</u>		<u>1,870,000</u>
Total Governmental Long-Term Debt	<u>\$27,870,876</u>		<u>\$ 0</u>		<u>\$1,128,009</u>		<u>\$26,742,867</u>

The \$19,200,000 Downtown Project bonds and related letter of credit include certain financial and other covenants.

The City also has an other long-term liability to Vermont Works for Women (VWW) which is a tenant in the City's Community Center. The City has agreed to pay for VWW's cost incurred to fit up its space by reducing VWW's rent \$7,500 per year. If VWW were to move out of the space, the remaining balance of \$300,000 would be payable to VWW.

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Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Sewer Fund:				
Bond Payable ó State of Vermont Special Environmental Revolving Loan Fund, Pollution Aeration Improvements, \$20,000 Due Annually, 0% Interest, Due December 1, 2016	\$ 100,000	\$ 0	\$ 20,000	\$ 80,000
Bond Payable ó State of Vermont Special Environmental Revolving Loan Fund, 0% Interest, \$60,000 Due Annually on January 1 through 2020	480,000	0	60,000	420,000
Bond Payable ó Vermont Municipal Bond Bank, Street Reconstruction, \$15,791 Due Annually on November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually on May 15 and November 15	<u>303,046</u>	<u>0</u>	<u>15,791</u>	<u>287,255</u>
Total Sewer Fund	<u>883,046</u>	<u>0</u>	<u>95,791</u>	<u>787,255</u>
Water Fund:				
Bond Payable ó Vermont Municipal Bond Bank, Street Reconstruction, \$14,851 Due Annually on November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually on May 15 and November 15	284,991	0	14,851	270,140
Other Liability ó 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	<u>123,240</u>	<u>0</u>	<u>9,480</u>	<u>113,760</u>
Total Water Fund	<u>408,231</u>	<u>0</u>	<u>24,331</u>	<u>383,900</u>
Total Business-Type Activities	<u>\$ 1,291,277</u>	<u>\$ 0</u>	<u>\$ 120,122</u>	<u>\$ 1,171,155</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable	\$ 23,546,963	\$ 0	\$ 1,074,358	\$ 22,472,605	\$ 1,189,359
Notes Payable	4,098,000	0	0	4,098,000	0
Capital Leases Payable	225,913	0	53,651	172,262	55,493
Other Long-Term Liability - VFW	307,500	0	7,500	300,000	7,500
Compensated Absences	239,435	0	48,361	191,074	0
Other Post Employment Benefit	4,753	20,801	1,642	23,912	7,971
	<u>28,422,564</u>	<u>20,801</u>	<u>1,185,512</u>	<u>27,257,853</u>	<u>1,260,323</u>
Total Governmental Activities					
Long-Term Liabilities	<u>28,422,564</u>	<u>20,801</u>	<u>1,185,512</u>	<u>27,257,853</u>	<u>1,260,323</u>
Business-type Activities					
Bonds Payable	1,168,037	0	110,642	1,057,395	110,642
Due to Champlain Water District	123,240	0	9,480	113,760	9,480
Compensated Absences	22,126	29,355	0	51,481	0
	<u>1,313,403</u>	<u>29,355</u>	<u>120,122</u>	<u>1,222,636</u>	<u>120,122</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 1,313,403</u>	<u>\$ 29,355</u>	<u>\$ 120,122</u>	<u>\$ 1,222,636</u>	<u>\$ 120,122</u>

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

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,244,852	\$ 970,328	\$ 120,122	\$ 14,593
2015	1,387,183	1,022,113	120,122	14,006
2016	1,673,170	1,062,993	118,662	13,367
2017	1,795,657	987,243	118,662	12,674
2018	2,033,368	906,436	98,662	11,912
2019-2023	12,110,517	3,032,097	313,310	46,126
2024-2028	5,994,867	344,803	164,870	22,254
2029-2033	503,253	10,910	116,745	16,518
	<u>26,742,867</u>	<u>8,336,923</u>	<u>1,171,155</u>	<u>151,450</u>
Total	<u>\$ 26,742,867</u>	<u>\$ 8,336,923</u>	<u>\$ 1,171,155</u>	<u>\$ 151,450</u>

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H. 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. 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 any minimum fund balance policies.

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, 2013 consisted of the following:

Governmental Activities:

Restricted for Downtown Project and Debt Service by Bond Agreement and TIF Legislation	\$ 1,899,074
Restricted for Community Development by Grant Agreements and Donations	534,965
Restricted for Public Safety by Grant Agreements and Regulation	<u>76,100</u>
Total Governmental Activities	\$ <u>2,510,139</u>

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Business-Type Activities:

Restricted for Sewer Expansion by Ordinance \$ 261,250

The fund balances of the following funds are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Prepaid Expenses \$ 183,163

TIF Downtown Fund:

Nonspendable Prepaid Expenses 6,000

City Capital Reserve Fund:

Nonspendable Prepaid Expenses 26,649

Total Major Funds 215,812

Non-Major Funds

JAG Fund:

Nonspendable Prepaid Expenses 65,907

Total Non-Major funds 65,907

Total Nonspendable Fund Balances \$ 281,719

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

Major Funds

TIF Downtown:

Downtown Project and Debt Service by
Bond Agreement and TIF Legislation \$1,893,074

Community Development Fund:

Restricted for Community Development by
Grant Agreements 261,339

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City Capital Reserve Fund:	
Restricted for Capital Projects by Unspent Debt Proceeds	\$ <u>352,411</u>
Total Major Funds	<u>2,506,824</u>
Non-Major Funds:	
Community Center Fund:	
Restricted for Community Development by Donations (Source of Revenue is Donations)	<u>273,626</u>
Total Restricted for Community Development	<u>273,626</u>
Asset Forfeitures Fund:	
Restricted for Public Safety by Regulation (Source of Revenue is Asset Seizures)	<u>10,193</u>
Total Restricted for Public Safety	<u>10,193</u>
Total Non-Major funds	<u>283,819</u>
Total Restricted Fund Balances	<u>\$2,790,643</u>

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

Major Funds

General Fund:

Assigned for Community Development Reserve	\$251,536
Assigned for City Operating Reserve	351,008
Assigned for Fire/Hazmat	10,973
Assigned for Community Service Programs	76,282
Assigned for Other Post Employment Benefits	15,778
Assigned for Reimbursable Expenses	<u>3,950</u>
Total General Fund	<u>709,527</u>

City Capital Reserve Fund:

Assigned for Capital Projects	<u>175,896</u>
Total Assigned Fund Balances	<u>\$885,423</u>

The fund deficits in the Women Helping Battered Women Fund and JAG Fund will be funded as grant receivables are collected.

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V. OTHER INFORMATION

A. Retirement Plans

The Fire Chief, the Zoning Administrator and certain other administrators are covered under the State of Vermont Municipal Employees' Retirement Plan (VMERS) Group C. Employees in Group C contribute 9.25% of their gross salary and the City contributes 6.50%. Police officers are covered under VMERS Group D. Employees in Group D contribute 11% of their gross salary and the City contributes 9.5%. Public works employees are covered under VMERS Group B. Employees in Group B contribute 4.5% and the City contributes 5%. Dispatchers are covered under Group DC, a defined contribution plan. Employees in Group DC contribute 5% of their gross salary and the City contributes 5.125%. The City pays all costs accrued each year for the plans. The premise of Plans B, C and D is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in these plans is done in the aggregate, not by municipality. The net assets available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available. 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. The City's total payroll was \$3,397,246 while its covered payroll for these retirement plans was \$1,796,950. Pension expense for these plans for the years ended June 30, 2013, 2012 and 2011 was \$142,245, \$137,847 and \$121,662, respectively.

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's total payroll for the year was \$3,397,246 while its covered payroll for this retirement plan was \$1,221,452. Pension expense for this plan for the years ended June 30, 2013, 2012 and 2011 was \$62,950, \$64,675 and \$56,804, 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 Manulife. The City also offers its employees a Deferred Compensation Plan through the International City/County Management Association (ICMA) Retirement Corporation in accordance with Internal Revenue Code Section 457. 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.

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

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 2013 is as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	\$1.1937	\$1.3952
Local Agreement Rate	.0014	.0014
City	<u>.9850</u>	<u>.9850</u>
Total	<u>\$2.1801</u>	<u>\$2.3816</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 ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The City of Winooski has entered into an insurance contract for health benefits with VACE Insurance effective January 1, 2012. This is a high deductible plan that provides health insurance coverage to qualified City employees. Qualified employees are all full-time union and non-union employees. Annual deductibles range from \$1,500 to \$5,000 and maximum out of pocket expenses range from \$2,500 to \$7,000.

The City has exposure to the extent of employee deductibles. The City provides first dollar coverage to its qualified employees through the use of a health reimbursement account.

The City of Winooski is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

D. Operating Leases

The City has entered into an operating lease for copiers and computer equipment. Lease expense for the fiscal year 2013 was \$29,304. Future minimum lease payments are as follows:

2014	\$ 22,528
2015	15,580
2016	13,800
2017	<u>6,900</u>
Total	\$ <u>58,808</u>

E. Parking Garage Leases

The City leases spaces in its parking garage on a long-term basis to four commercial tenants. Future minimum rentals under these leases over the next five years are as follows:

2014	\$ 413,776
2015	423,484
2016	433,428
2017	443,613
2018	<u>407,452</u>
Total	\$ <u>2,121,753</u>

Revenue recognized under these leases for 2013 is \$501,837 which includes revenue for spaces leased at tenants' option in excess of the minimum.

In addition to the amounts above, 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, 2013 is \$761,538. In addition to this, other tenants pre-paid a portion of their 2014 leases before year end in the amount of \$53,060. Total unearned revenue at June 30, 2013 was \$814,598.

F. Concentration of Expenses

The City purchased all one of its water from Champlain Water District (CWD) for the year ended June 30, 2013. The City purchased \$331,650 of water from CWD.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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. 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 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.

In 2012, the Vermont State Auditor examined the District and had several findings regarding the City's operation of the District. This was the first such audit of the District as well as for other districts in several other municipalities around the state. All of the audits had findings and it was determined that the original TIF legislation was inconsistent and unclear. Therefore, the State Auditor settled with the municipalities involved, including the City. The settlement with the City provides for it to repay the State Education Fund \$1,300 and for the City's General Fund to provide \$62,000 additional revenue to the City's TIF District.

H. Related Party Transactions

The Mayor and the City Attorney are related. The City Attorney was hired prior to the Mayor being elected. The City Attorney was paid \$24,000 during the year ended June 30, 2013.

I. 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 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.

CITY OF WINOOSKI, VERMONT
GENERAL FUND
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 4,785,463	\$ 4,783,020	\$ (2,443)
Charges for Services	199,000	213,236	14,236
Investment Income	15,000	5,626	(9,374)
Intergovernmental Income	423,481	397,203	(26,278)
Fees, Fines and Forfeits	188,250	184,974	(3,276)
Licenses and Permits	17,450	20,424	2,974
Other	108,208	144,853	36,645
O'Brien Community Center	298,648	321,714	23,066
	<u>6,035,500</u>	<u>6,071,050</u>	<u>35,550</u>
Total Revenue			
Expenditures:			
Mayor & City Council	13,821	11,854	1,967
City Manager's Department	122,135	116,031	6,104
Legal Department	54,000	55,848	(1,848)
Finance/Records/General Services Department	704,537	660,273	44,264
Planning/Zoning/Assessing	106,985	105,362	1,623
Building Regulation	3,475	301	3,174
Health Department	13,563	7,609	5,954
Rental Registry	144,906	148,263	(3,357)
Fire Department	279,300	288,207	(8,907)
Police Department	2,160,112	2,191,190	(31,078)
Engineering Services	33,949	29,012	4,937
Public Works Department	665,012	552,699	112,313
Grounds & Facilities Department	480,184	426,571	53,613
Community Center	298,648	321,714	(23,066)
Community Services	166,872	166,872	0
Pool Operation	49,270	42,748	6,522
Senior Citizens Center	31,764	24,471	7,293
Library Department	115,460	108,219	7,241
Regional Programs	214,864	211,469	3,395
Capital Program	376,643	376,643	0
	<u>6,035,500</u>	<u>5,845,356</u>	<u>190,144</u>
Total Expenditures			
Excess of Revenue Over Expenditures	\$ <u>0</u>	225,694	\$ <u>225,694</u>
Reconciliation of Budgetary Basis to GAAP Basis:			
Expenditures of other funds combined with the General Fund		(177,689)	
Revenues of other funds combined with the General Fund		256,112	
Transfers In - Intrafund		(58,303)	
Transfers Out - Intrafund		<u>52,407</u>	
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses - Exhibit D		<u>\$ 298,221</u>	

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

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

CITY OF WINOOSKI, VERMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

Special Revenue Funds

	Community Center Fund	Justice Center Fund	Woman Helping Battered Woman Fund	Asset Forfeitures Fund	JAG Fund	Swimteam Fund	Total
<u>ASSETS</u>							
Cash	\$ 0	\$ 136	\$ 0	\$ 1,000	\$ 0	\$ 0	\$ 1,136
Grants Receivable	0	0	92	0	6,545	0	6,637
Due From Other Funds	273,626	22,609	0	9,193	0	0	305,428
Prepaid Expenses	0	0	0	0	65,907	0	65,907
TOTAL ASSETS	\$ 273,626	\$ 22,745	\$ 92	\$ 10,193	\$ 72,452	\$ 0	\$ 379,108
<u>LIABILITIES</u>							
Accrued Payroll	\$ 0	\$ 2,016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,016
Unearned Revenue	0	20,729	0	0	2,678	0	23,407
Due to Other Funds	0	0	92	0	69,774	0	69,866
Total Liabilities	0	22,745	92	0	72,452	0	95,289
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Grant Revenue	0	0	92	0	6,545	0	6,637
Total Deferred Inflows of Resources	0	0	92	0	6,545	0	6,637
<u>FUND BALANCES</u>							
Nonspendable	0	0	0	0	65,907	0	65,907
Restricted	273,626	0	0	10,193	0	0	283,819
Unassigned	0	0	(92)	0	(72,452)	0	(72,544)
Total Fund Balances/ (Deficits)	273,626	0	(92)	10,193	(6,545)	0	277,182
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 273,626	\$ 22,745	\$ 92	\$ 10,193	\$ 72,452	\$ 0	\$ 379,108

See Disclaimer in the Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds						Total
	Community Center Fund	Justice Center Fund	Woman Helping Battered Woman Fund	Asset Forfeitures Fund	JAG Fund	Swimteam Fund	
Revenue:							
Intergovernmental	\$ 0	\$ 175,903	\$ 80,655	\$ 6,011	\$ 61,965	\$ 0	\$ 324,534
Donations	120,224	0	271	0	0	0	120,495
Other	0	590	0	11,993	0	0	12,583
Total Revenue	<u>120,224</u>	<u>176,493</u>	<u>80,926</u>	<u>18,004</u>	<u>61,965</u>	<u>0</u>	<u>457,612</u>
Expenditures:							
Community Development	15,035	0	0	0	0	0	15,035
Public Safety	0	187,493	80,224	10,487	10,883	0	289,087
Capital Outlay:							
Public Buildings and Facilities	92,318	0	0	0	0	0	92,318
Public Safety	0	0	0	0	38,121	0	38,121
Total Expenditures	<u>107,353</u>	<u>187,493</u>	<u>80,224</u>	<u>10,487</u>	<u>49,004</u>	<u>0</u>	<u>434,561</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>12,871</u>	<u>(11,000)</u>	<u>702</u>	<u>7,517</u>	<u>12,961</u>	<u>0</u>	<u>23,051</u>
Other Financing Sources/(Uses):							
Transfers In	0	11,000	0	0	285	0	11,285
Transfers Out	(54,883)	0	0	(285)	0	(1,914)	(57,082)
Total Other Financing Sources/(Uses)	<u>(54,883)</u>	<u>11,000</u>	<u>0</u>	<u>(285)</u>	<u>285</u>	<u>(1,914)</u>	<u>(45,797)</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and and Other Financing/(Uses)	(42,012)	0	702	7,232	13,246	(1,914)	(22,746)
Fund Balances/(Deficit) - July 1, 2012	<u>315,638</u>	<u>0</u>	<u>(794)</u>	<u>2,961</u>	<u>(19,791)</u>	<u>1,914</u>	<u>299,928</u>
Fund Balances/(Deficit) - June 30, 2013	<u>\$ 273,626</u>	<u>\$ 0</u>	<u>\$ (92)</u>	<u>\$ 10,193</u>	<u>\$ (6,545)</u>	<u>\$ 0</u>	<u>\$ 277,182</u>

See Disclaimer in the Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	Grant Amount	Expenditures
<u>U.S. Department of Agriculture</u>				
Passed through State of Vermont Department of Education				
Summer Food Service Program Grant	4614R7911200	10.559	n/a	\$ <u>20,115</u>
Total U.S. Department of Agriculture				<u>20,115</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
State Homeland Security Grant - Equipment	02140-78252-057	97.067	19,972	3,726
State Homeland Security Grant - Equip. Law Enforcement	02140-79252-037	97.067	23,725	<u>23,725</u>
Total U.S. Department of Homeland Security				<u>27,451</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Vermont Agency of Housing and Community Affairs				
Community Development Block Grant	07110-SS-2010-WinooskiCity-00006	14.228	764,500	291,722
Community Development Block Grant	07110-IG-2010-WinooskiCity-00034	14.228	370,000	<u>370,000</u>
Total U.S. Department of Housing and Urban Development				<u>661,722</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
Edward Byrne Justice Assistance Grant - ARRA	2009-SB-B9-0362	16.804	84,209	2,942
Edward Byrne Justice Assistance Grant	2009-DJ-BX-0620	16.738	19,665	6,746
Edward Byrne Justice Assistance Grant	2010-DJ-BX-0682	16.738	18,803	1,344
Edward Byrne Justice Assistance Grant	2012-DJ-BX-0064	16.738	10,602	5,207
Grants to Encourage Arrest	2006-WE-AX-0037	16.590	1,199,652	80,655
Passed through State of Vermont Department of Education				
Extended Education Programming at Schools	4614R7911201	16.541	15,000	<u>3,734</u>
Total U.S. Department of Justice				<u>100,628</u>

See Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	Grant Amount	Expenditures
<u>U.S. Department of Labor</u>				
Passed through State of Vermont Department of Labor				
WIA Youth Activities	135233181	17.259	11,000	\$ <u>1,218</u>
Total U.S. Department of Labor				<u>1,218</u>
<u>U.S. Department of Transportation</u>				
Passed through the State of Vermont Agency of Transportation				
Highway Construction and Planning Grant	CA0304	20.205	129,195	38,932
Passed through the State of Vermont Department of Public Safety				
Safety Belt Performance Grant	02140-0912-3558	20.609	5,000	<u>5,000</u>
Total U.S. Department of Transportation				<u>43,932</u>
Total Federal Awards				<u>\$ 855,066</u>

Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Winooski, Vermont and was prepared using the significant accounting policies outlined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients:

Of the Federal expenditures presented in the schedule, the City of Winooski, Vermont provided Federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
Grants to Encourage Arrest	16.590	\$ 54,566
Community Development Block Grant	14.228	\$ 661,722

See Accompanying Independent Auditor's Report.

Sullivan,Powers & Co.,P.C.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"

Honorable City Council
City of Winooski
27 West Allen Street
Winooski, Vermont 05404

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 City of Winooski, Vermont as of and for the year ended June 30, 2013, 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 January 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Winooski, Vermont's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Winooski, Vermont's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Winooski, Vermont'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 the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

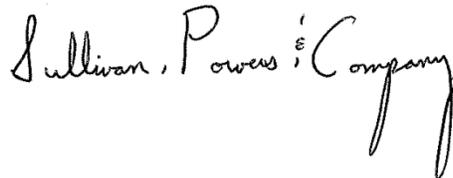
As part of obtaining reasonable assurance about whether the City of Winooski, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

However, we noted other matters that we reported in a separate letter to the management of the City of Winooski, Vermont dated January 6, 2014.

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 City of Winooski, Vermont'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 City of Winooski, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 6, 2014
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' at the beginning and a long, sweeping tail at the end.

Sullivan, Powers & Co., P.C.

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Honorable City Council
City of Winooski
27 West Allen Street
Winooski, Vermont 05404

Report on Compliance for Each Major Federal Program

We have audited City of Winooski, Vermont compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Circular A-133 Compliance Supplement" that could have a direct and material effect on the City of Winooski, Vermont's major federal program for the year ended June 30, 2013. The City of Winooski, Vermont's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Winooski, Vermont's major federal program based on our audit of the types of compliance requirements referred to previously.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Winooski, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City of Winooski, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Winooski, Vermont complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the City of Winooski, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of Winooski, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Winooski, Vermont's internal control over compliance.

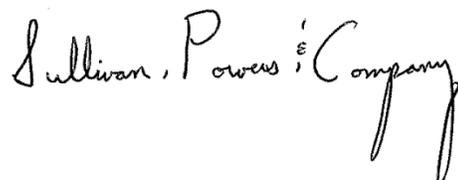
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

January 6, 2014
Montpelier, Vermont
VT Lic. #92-000180



CITY OF WINOOSKI, VERMONT
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2013

Financial Statement Findings:

Deficiencies in Internal Control:

Material Weaknesses:

12-1 Fixed Assets Accounting and Reporting

Criteria:

Internal controls should be in place to provide for complete and accurate recording of the City's fixed assets. Complete and accurate records are vital to the effective safeguarding of fixed assets owned by a government. They are needed to maintain individual accountability for resources, to develop the insurable value of government-owned property and equipment, and to document proof of loss for claims. In addition, fixed asset records are essential for effective long-range management planning for replacement of existing property and equipment.

Fixed asset and depreciation accounting are also necessary for the setting of the cost of individual services provided by governments. Finally, the proper reporting of fixed assets is essential for the fair presentation of a government's financial position and the results of its operations in conformity with generally accepted accounting principles (GAAP).

Condition:

The City has not maintained a complete schedule of its fixed assets at historical cost.

Cause:

The City has not had the resources available to compile an accurate list.

Effect:

The City is not in compliance with Governmental Accounting Standards Board (GASB) requirements. In addition, the City is not safeguarding its fixed assets from potential loss.

Recommendation:

We recommend that the City implement controls over a property management system to account for and record fixed assets at historical cost in accordance with generally accepted accounting principles. A property management system is accomplished by preparing a list of assets, date acquired, location, and cost. If historical cost is not available, alternative methods can be used (i.e. estimated historical cost). Once a list is established, only additions and deletions need to be entered each year.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2013

There are a number of ways to initiate this process. The City needs to determine a dollar threshold individually and in the aggregate above which assets will be tracked. A complete inventory then needs to be taken. The assets then need to be valued at cost. This can be done through a review of original invoices and contracts, if available. If purchase price cannot be established, then fair market value needs to be determined and discounted using price indexes to the year of acquisition. This is an acceptable method of estimating cost and will self correct over time as assets are replaced. Once established, periodic inventories need to be taken to verify the accuracy of the records.

Corrective Action Taken:

Corrective action has been taken.

Significant Deficiencies:

12-2 Parking Ticket Revenue

Criteria:

Internal controls should be in place to provide for the reconciliation of the parking ticket tracking system to the general ledger. Also, internal controls should be in place to ensure that the City is recording parking ticket revenue and receivables on the accrual basis.

Condition:

Internal controls and processes over reconciliation and recording of parking ticket receivables are inadequately designed. The City does not have a process in place to reconcile the balances from the parking ticket tracking system to the general ledger. Additionally, there are inadequate procedures in place to generate receivable reports and, therefore, parking ticket revenue is being tracked on the cash basis of accounting.

Cause:

The City's current software does not produce reports that will easily reconcile to the general ledger or provide the receivable balance due to the City.

Effect:

Parking ticket revenues are recorded on the cash basis of accounting while the City reports all of its other revenues on the accrual basis of accounting. Further, there is the potential for posting problems to go unnoticed in the ticket tracking system.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

We recommend that the City evaluate its procedures over parking tickets and implement a reconciliation process with the general ledger. We also recommend that the City evaluate its parking ticket tracking software to determine if they can use it to print receivable listings which will help the City to report the revenues generated from parking tickets on the accrual basis of accounting.

Corrective Action Taken:

Corrective action has been taken.

12-3 Invoices Not Being Processed to Proper Period (Cutoff)

Criteria:

Internal controls should be in place to ensure that goods and services received before fiscal year end are recorded in the proper period.

Condition:

The City did not record all expenditures in the proper period. Two invoices received after year end were for services performed through June 30, 2012 and were recorded in the 2013 fiscal year in error. Another invoice was received which had charges for both fiscal years but the entire invoice was recorded in 2013.

Cause:

Internal controls over accounts payable are inadequately designed.

Effect:

Expenses and accounts payable were understated by \$48,155. Also, for two of the invoices, the related grant reimbursement was not recorded, thus understating receivables and grant revenue by \$9,252.

Recommendation:

We recommend that controls be implemented to ensure that invoices are reviewed for the date services were performed and the invoice recorded in the proper period.

Corrective Action Taken:

Corrective action has been taken.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2013

Federal Awards Findings:

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

12-3 Invoices Not Being Processed to Proper Period (Cutoff)

Criteria:

Internal controls should be in place to ensure that goods and services received before fiscal year end are recorded in the proper period.

Condition:

The City did not record all expenditures in the proper period. Two invoices received after year end were for services performed through June 30, 2012 and were recorded in the 2013 fiscal year in error. Another invoice was received which had charges for both fiscal years but the entire invoice was recorded in 2013.

Cause:

Internal controls over accounts payable are inadequately designed.

Effect:

Expenses and accounts payable were understated by \$48,155. Also, for two of the invoices, the related grant reimbursement was not recorded, thus understating receivables and grant revenue by \$9,252.

Recommendation:

We recommend that controls be implemented to ensure that invoices are reviewed for the date services were performed and the invoice recorded in the proper period.

Corrective Action Taken:

Corrective action has been taken.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:
Unqualified.

Internal Control Over Financial Reporting:
Material Weaknesses identified:
No.
Significant Deficiencies identified not considered to be material weaknesses:
No.

Noncompliance material to financial statements:
None noted.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
No.
Significant Deficiencies identified not considered to be material weaknesses:
No.

Type of auditor's report issued on compliance for major program:
Unqualified.

There are no audit findings that are required to be reported in accordance with OMB Circular A-133, Section .510(a).

Major Programs:

<u>CFDA #</u>	<u>Program</u>
14.228	U.S. Department of Housing and Urban Development: Community Development Block Grant

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The auditee did not qualify as a low risk auditee.