

CITY OF WINOOSKI, VERMONT

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

JUNE 30, 2012

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AUDIT REPORT
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Independent Auditor's Report

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

We have audited the general purpose financial statements of the City of Winooski, Vermont as of and for the year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Because of inadequacies in the accounting records, we were unable to determine if the City capitalized all its Sewer Fund capital assets that were part of the Downtown Project and we were unable to satisfy ourselves about the completeness of these assets through alternative procedures.

The City did not adopt Governmental Accounting Standards Board (GASB) Statement No. 34, 37 and 38 as required by generally accepted accounting principles (GAAP). These statements would significantly change the accounting and reporting structure of the City if adopted. These changes include the presentation of government-wide financial statements, reporting major funds, utilization of the direct method on the cash flow statement, reporting of governmental capital assets and long-term debt, increased detail in the notes to the financial statements, reporting the governmental activities on the full accrual basis of accounting and presenting management's discussion and analysis.

In addition, the City has not adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Additionally, the City treats the Water Fund and Parking Garage Fund as Special Revenue Funds rather than as Enterprise Funds. Generally accepted accounting principles require funds financed with user charges to be treated as Enterprise Funds. This principle requires accounting treatment similar to commercial enterprises such as capitalization and depreciation of fixed assets. Accordingly, the financial statements of the Water Fund and Parking Garage Fund do not present financial position or results of operations in accordance with generally accepted accounting principles.

Also, the loans and notes receivable discussed in Note 5 have not been discounted to their net present value. The amount of the discount is unknown.

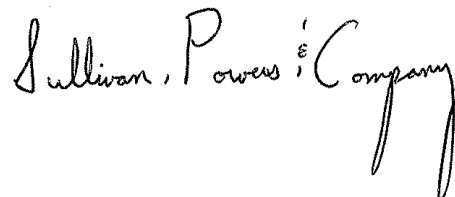
Because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Winooski, Vermont, as of June 30, 2012 or the changes in its financial position for the year then ended.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as Schedules 1 through 5 in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Winooski, Vermont. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the City of Winooski, Vermont's basic financial statements. 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 Non-Profits Organizations" and is not a required part of the basic financial statements. Because of the significance of the matters described previously, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards.

In accordance with "Government Auditing Standards", we have also issued our report dated January 18, 2013 on our consideration of the City of Winooski, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 conducted in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

January 18, 2013
Montpelier, Vermont
VT Lic. #92-000180



CITY OF WINOOSKI, VERMONT
 COMBINED BALANCE SHEET
 ALL FUND TYPES
 JUNE 30, 2012

	Governmental Fund Types			Proprietary Fund Type	Total
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Fund - Sewer Fund	
<u>ASSETS</u>					
Cash - Note 2	\$ 4,802,851	\$ 307,616	\$ 488,605	\$ 292,595	\$ 5,891,667
Receivables (Net of Allowance) - Note 3	271,408	410,601	575,377	331,064	1,588,450
Prepaid Expenses	148,890	4,066	31,149	0	184,105
Due from Other Funds - Note 4	0	1,866,365	1,713,942	502,811	4,083,118
Loan to General Fund - Note 4	0	36,908	0	0	36,908
Loans/Notes Receivable (Net of Allowance) - Note 5	0	2,635,373	1,500,000	0	4,135,373
Property, Plant and Equipment (Net of Accumulated Depreciation) - Note 6	0	0	0	3,299,953	3,299,953
TOTAL ASSETS	\$ 5,223,149	\$ 5,260,929	\$ 4,309,073	\$ 4,426,423	\$ 19,219,574
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts Payable	\$ 112,546	\$ 121,886	\$ 110,187	\$ 81,710	\$ 426,329
Security Deposits	0	575	0	0	575
Accrued Payroll and Payroll Taxes	97,065	15,634	0	5,811	118,510
Compensated Absences - Note 7	0	0	0	22,126	22,126
Deferred Revenue - Note 8	128,368	3,618,469	2,075,377	22,762	5,844,976
Due to Other Funds - Note 4	4,035,326	47,792	0	0	4,083,118
Loan from Community Development Capital Reserve Fund - Note 4	36,908	0	0	0	36,908
Due to Others	1,040	0	0	0	1,040
Bonds & Notes Payable - Note 9	0	0	0	883,046	883,046
Total Liabilities	4,411,253	3,804,356	2,185,564	1,015,455	11,416,628
Fund Equity:					
Retained Earnings:					
Investment in Property, Plant and Equipment	0	0	0	2,416,907	2,416,907
Restricted - Note 10	0	0	0	168,633	168,633
Unrestricted:					
Designated - Note 10	0	0	0	825,428	825,428
Fund Balances/(Deficit):					
Restricted - Note 11	148,890	215,766	914,413	0	1,279,069
Unrestricted:					
Designated - Note 12	0	1,262,924	1,209,096	0	2,472,020
Undesignated	663,006	(22,117)	0	0	640,889
Total Retained Earnings/Fund Balances	811,896	1,456,573	2,123,509	3,410,968	7,802,946
Total Fund Equity	811,896	1,456,573	2,123,509	3,410,968	7,802,946
TOTAL LIABILITIES AND FUND EQUITY	\$ 5,223,149	\$ 5,260,929	\$ 4,309,073	\$ 4,426,423	\$ 19,219,574

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

CITY OF WINOOSKI, VERMONT
 COMBINED STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types			Total
	General Fund	Special Revenue Funds	Capital Projects Funds	
Revenue:				
Property Taxes/PILOT	\$ 4,732,966	\$ 0	\$ 1,748,804	\$ 6,481,770
Charges for Services	290,098	1,589,893	0	1,879,991
Investment Income	10,179	8,408	75,421	94,008
Intergovernmental	143,280	996,239	115,683	1,255,202
Fees, Fines and Forfeits	271,168	0	0	271,168
Rent & Lease Income	226,372	0	303,139	529,511
Licenses & Permits	35,936	0	43,492	79,428
Donations	0	35,692	100,300	135,992
Loan Repayments	0	68,505	0	68,505
Cascade Unit Sales Profit Sharing	0	0	22,500	22,500
Other	39,160	57,862	7,485	104,507
Total Revenue	5,749,159	2,756,599	2,416,824	10,922,582
Expenditures:				
General Government	1,099,067	3,840	76,555	1,179,462
Public Safety	1,773,229	527,572	0	2,300,801
Public Works	428,288	21,346	0	449,634
Culture & Recreation	185,396	146,200	0	331,596
Public Buildings & Facilities	423,420	0	0	423,420
Parking Garage	0	338,756	0	338,756
Employee Benefits	987,809	0	0	987,809
Regional Programs	212,452	0	0	212,452
Health	11,076	0	0	11,076
Water Operations	0	602,634	0	602,634
Community Development	85,107	198,030	215,587	498,724
Capital Outlay	19,273	631,380	1,137,794	1,788,447
Debt Service:				
Bond and Note Principal	110,000	0	951,408	1,061,408
Interest	77,463	7,936	1,061,049	1,146,448
Total Expenditures	5,412,580	2,477,694	3,442,393	11,332,667
Excess/(Deficiency) of Revenue Over Expenditures	336,579	278,905	(1,025,569)	(410,085)
Other Financing Sources/(Uses):				
Debt Proceeds	0	284,991	1,714,283	1,999,274
Transfers In	716,869	98,831	609,513	1,425,213
Transfers Out	(383,416)	(707,539)	(299,555)	(1,390,510)
Total Other Financing Sources/(Uses)	333,453	(323,717)	2,024,241	2,033,977
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing/(Uses)	670,032	(44,812)	998,672	1,623,892
Fund Balances - July 1, 2011	141,864	1,501,385	1,124,837	2,768,086
Fund Balances - June 30, 2012	\$ 811,896	\$ 1,456,573	\$ 2,123,509	\$ 4,391,978

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

CITY OF WINOOSKI, VERMONT
GENERAL FUND
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes	\$ 4,494,940	\$ 4,732,966	\$ 238,026
Charges for Services	196,500	213,878	17,378
Investment Income	8,000	10,179	2,179
Intergovernmental Income	456,330	409,588	(46,742)
Fees, Fines and Forfeits	180,000	211,222	31,222
Licenses and Permits	15,000	22,489	7,489
Other	245,121	267,062	21,941
O'Brien Community Center	299,500	303,494	3,994
Total Revenue	5,895,391	6,170,878	275,487
Expenditures:			
Mayor & City Council	14,321	11,268	3,053
City Manager's Department	122,919	122,679	240
Legal Department	64,000	70,548	(6,548)
Finance/Records/General Services Department	718,815	684,050	34,765
Planning/Zoning/Assessing	104,463	103,343	1,120
Building Regulation	2,600	812	1,788
Health Department	12,000	11,089	911
Rental Registry	141,835	139,119	2,716
Fire Department & Building Regulations	254,643	247,352	7,291
Police Department	2,117,843	2,183,655	(65,812)
Engineering Services	34,426	41,665	(7,239)
Public Works Department	622,360	505,833	116,527
Grounds & Facilities Department	459,014	478,880	(19,866)
Community Center	299,093	303,494	(4,401)
Community Services	31,124	50,752	(19,628)
Pool Operation	48,470	45,076	3,394
Senior Citizens Center	23,907	29,628	(5,721)
Library Department	116,064	112,023	4,041
Community Development	94,461	114,100	(19,639)
Regional Programs	250,976	212,452	38,524
Capital Program	291,722	362,057	(70,335)
Total Expenditures	5,825,056	5,829,875	(4,819)
Excess of Revenue Over Expenditures	\$ 70,335	341,003	\$ 270,668
Reconciliation of Budgetary Basis to GAAP Basis:			
Transfers In - to Close Other Funds - Note 4		295,150	
Transfers Out - Intrafund		33,879	
Excess of Revenue and Other Financing Sources/(Uses) Over Expenditures - Exhibit II		\$ 670,032	

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

CITY OF WINOOSKI, VERMONT
SPECIAL REVENUE FUND - WATER FUND
STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Charges for Services:			
Water Sales	\$ 785,000	\$ 818,764	\$ 33,764
Total Charges for Services	<u>785,000</u>	<u>818,764</u>	<u>33,764</u>
Miscellaneous:			
Investment Income	0	29	29
Miscellaneous Revenue	1,668	2,811	1,143
Loan Proceeds	56,998	284,991	227,993
Transfer In	0	39,383	39,383
Total Miscellaneous	<u>58,666</u>	<u>327,214</u>	<u>268,548</u>
Total Revenue	<u>843,666</u>	<u>1,145,978</u>	<u>302,312</u>
Expenditures:			
Salaries & Wages			
Permanent/Full Time	139,748	144,558	(4,810)
Part Time/Overtime	11,770	7,669	4,101
Total Salaries & Wages	<u>151,518</u>	<u>152,227</u>	<u>(709)</u>
Operating Expenses:			
Health Insurance	36,021	40,640	(4,619)
Dental Insurance	1,500	2,146	(646)
Life Insurance	370	367	3
Disability Insurance	635	1,573	(938)
Fica/Medi Expense	11,591	11,375	216
Retirement Expense	7,187	7,288	(101)
Unemployment Insurance	1,616	1,491	125
Workers Compensation Insurance	8,467	4,596	3,871
Other Employee Benefits	1,700	786	914
Professional Services	2,000	6,319	(4,319)
Chittenden Water District Contracted Services	0	196	(196)
Equipment Maintenance and Repairs	1,000	2,343	(1,343)
Equipment Rental	3,000	5,300	(2,300)
Vehicle Maintenance and Repairs	1,000	416	584
Telephone	350	610	(260)
Postage	0	461	(461)
Training & Travel	3,000	1,688	1,312
General Supplies	1,500	1,177	323
Tank, Valve and Line Repairs	70,000	102,166	(32,166)
Diesel	8,000	7,347	653
CWD Water Purchases	302,283	317,443	(15,160)
Road Materials	12,000	16,969	(4,969)
Safety Equipment	5,000	2,353	2,647
General Fund Reimbursement	50,000	38,577	11,423
Reconstruction Projects	56,998	194,985	(137,987)
Debt Service	0	7,936	(7,936)
Contingency Fund	10,000	2,160	7,840
Total Operating Expenses	<u>595,218</u>	<u>778,708</u>	<u>(183,490)</u>
Vehicle & Equipment:			
Equipment Purchase	4,500	64,075	(59,575)
Total Vehicle & Equipment	<u>4,500</u>	<u>64,075</u>	<u>(59,575)</u>
Total Expenditures	<u>751,236</u>	<u>995,010</u>	<u>(243,774)</u>
Excess of Revenue Over Expenditures	\$ 92,430	\$ 150,968	\$ 58,538

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

CITY OF WINOOSKI, VERMONT
ENTERPRISE FUND - SEWER FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenue:	
Sewer Service Charges	\$ 1,006,712
Hook On Fees	5,870
	<hr/>
Total Operating Revenue	1,012,582
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Operating Expenses:	
Salaries - Permanent/Full Time	217,315
Salaries - Overtime/Part Time	28,000
Health Insurance	43,052
Dental Insurance	3,226
Life Insurance	530
Disability Insurance	2,294
Fica/Medi Expense	18,876
Retirement Expense	12,587
Unemployment Insurance	1,912
Workers Compensation Insurance	8,163
Other Employee Benefits	2,333
Professional Services	144,742
Water and Sewer	1,854
Biosolids	106,766
Membership Dues	7,055
Other Equipment Maintenance/Repairs	3,290
Collection System Maintenance	62,569
Equipment Rental	8,500
Vehicle Maintenance/Repairs	9,554
Insurance Coverage/Contract	10,579
Telephone	1,939
Postage	363
Training and Travel	2,547
General Supplies	2,339
Chemical Supplies	18,252
Laboratory Analysis	13,684
Electricity	43,090
Heating Fuel - Oil	3,819
Gasoline	1,667
Diesel	11,007
Building/Equipment Maintenance	4,873
Plant Improvements	20,638
Depreciation Expense	164,692
Debt Interest	8,503
Contingency	960
	<hr/>
Total Operating Expenses	991,570
	<hr/>
Net Operating Income	21,012
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The accompanying notes are an integral part of this financial statement.

CITY OF WINOOSKI, VERMONT
ENTERPRISE FUND - SEWER FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2012

Non-Operating Revenues and (Expenses):	
Interest Income	\$ 593
Capital Grant Revenue	265,643
Transfer Out	<u>(34,703)</u>
Total Non-Operating Revenues/(Expenses)	<u>231,533</u>
Increase in Retained Earnings	252,545
Retained Earnings - July 1, 2011	<u>3,158,423</u>
Retained Earnings - June 30, 2012	<u>\$ 3,410,968</u>

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

CITY OF WINOOSKI, VERMONT
 ENTERPRISE FUND - SEWER FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

Increase in Cash:	
Cash Flows from Operating Activities:	
Net Operating Income	\$ 21,012
Items Providing/(Using) Cash or Not Requiring/(Providing) Cash:	
Depreciation Expense	164,692
Increase in Receivables	(47,523)
Decrease in Accrued Compensated Absences	(4,306)
Increase in Accounts Payable	57,571
Increase in Accrued Payroll	433
Increase in Deferred Revenue	<u>22,762</u>
Net Cash Provided by Operating Activities	<u>214,641</u>
Cash Flows from Noncapital Financing Activities:	
Items Providing/(Using) Cash or Not Requiring/(Providing) Cash:	
Increase in Due (To)/From Other Funds	(124,749)
Transfers Out	<u>(34,703)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(159,452)</u>
Cash Flows from Capital and Related Financing Activities:	
Items Providing/(Using) Cash or Not Requiring/(Providing) Cash:	
Capital Grant Proceeds	265,643
Principal Payments on Bonds & Notes Payable	(80,000)
Purchase of Equipment	(543,868)
Debt Proceeds	<u>303,046</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(55,179)</u>
Cash Flows from Investing Activities:	
Items Providing Cash:	
Interest Received	<u>593</u>
Net Cash Provided by Investing Activities	<u>593</u>
Net Increase in Cash	603
Cash - July 1, 2011	<u>291,992</u>
Cash - June 30, 2012	<u>\$ 292,595</u>

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

The City of Winooski, Vermont, (herein the "City") operates under a Council-Manager form of government and provides the following services, as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, water and sewer, parking and general administrative services.

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Winooski.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the City of Winooski (the "City") do not 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.

The City did not adopt Governmental Accounting Standards Board (GASB) Statement No. 34, 37 and 38 as required by generally accepted accounting principles (GAAP). These statements would significantly change the accounting and reporting structure of the City if adopted. These changes include the presentation of government-wide financial statements, reporting on major funds, utilization of the direct method on the cash flow statement, reporting of governmental capital assets and long-term debt, increased detail in the notes to the financial statements, reporting the governmental activities on the full accrual basis of accounting and presenting management's discussion and analysis.

A. REPORTING ENTITY

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1:
(Contd)

B. FUND ACCOUNTING

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate. City 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 various funds are grouped, in the financial statements in this report, into two (2) fund types and four (4) fund categories, as follows.

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted or designated for expenditures for specified purposes.

The City does not record property, plant and equipment and long-term debt in the Water Fund and Parking Garage Fund, and, accordingly, these funds are reported as Special Revenue Funds.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or, (b) where the governing body has decided that the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1:
(Cont'd)

C. FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources". Governmental Fund operating statements present increases (revenue and other financing sources) and decreases (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. The City has not maintained a record of the historical cost of its governmental fund type fixed assets.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation on all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Sewer System	40-60 years
Machinery and Equipment	4-20 years
Aeration System	50 years

Because of their measurement focus, expenditure recognition for Governmental Fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund type expenditures or fund liabilities.

D. BASIS OF ACCOUNTING

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1:
(Contd)

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized when it becomes measurable and available as net current assets. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within sixty (60) days after year end. Expenditures are generally recognized when the related fund liability is incurred. The exception to this general rule is to recognize principal and interest on general long-term debt when paid.

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 assets 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.

All Proprietary Funds are accounted for using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. As permitted by Statement of Governmental Accounting Standards No. 20, the City has elected not to apply Statements of Financial Accounting Standards issued after November 30, 1989.

E. BUDGETS AND BUDGETARY ACCOUNTING

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. One revision was approved for 2012 which increased the budgeted expenditures of the Rental Registry Department by \$82,000 and was funded by increasing the charges for services by this amount.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1:
(Contd)

F. BUDGETED SURPLUSES

The City passed the 2012 budget with a budgeted surplus of \$70,335 in the General Fund in order to build reserves in the General Fund as noted in Exhibit III.

The budget for the Water Fund for 2012 included a surplus of \$92,430 for future expansion as noted in Exhibit IV.

G. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, the City expended \$4,819 more than appropriated in the General Fund. These were funded by excess revenues.

For the year ended June 30, 2012, the City expended \$243,774 more than appropriated in the Water Fund. These were funded by excess revenues.

H. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. Cash does not include cash and cash equivalents included in the investment accounts.

I. 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.

J. FUND EQUITY

Fund equity of Governmental Fund Types is classified in three (3) separate categories. The categories, and their general meanings, are as follows:

Restricted Fund Balance - Indicates that a portion of fund equity that is not appropriable or is legally segregated for a specified purpose by a grant, contract or other binding agreement.

Unrestricted - Designated Fund Balance - Indicates that portion of fund equity for which the City has made tentative plans.

Unrestricted - Undesignated Fund Balance - Indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1:
(Cont'd)

Fund equity of Proprietary Fund Types is classified in three (3) separate categories. The categories and their general meanings are as follows:

Investment in Property, Plant and Equipment - Represents investment in property, plant and equipment net of any related debt.

Restricted Retained Earnings - Indicates that a portion of fund equity is restricted for a specific use by a grant, contract or other binding agreement.

Unrestricted - Designated Retained Earnings - Represents those accumulated earnings for which the City has made tentative plans.

K. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

L. 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 period. Actual results could differ from those estimates.

Note 2:

CASH

Cash - Deposits with Financial Institutions	\$ 5,889,898
Cash on Hand	<u>1,769</u>
Total Cash and Investments	<u>\$ 5,891,667</u>

The City does not have an investment policy that addresses credit risk, interest rate risk, custodial credit risk or foreign currency risk.

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 does not have any investments subject to interest rate risk.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2:
(Contd)

Credit Risk

Generally, credit risk is the risk that the issuer of an investment will be unable to fulfill its obligation to the holder of the investment. This is measured by an assigned rating from a nationally recognized credit rating agency such as Standard and Poor's or Moody's Rating Services. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. This rating allows investors to make informed buying and selling decisions. The City does not have any policy to limit the exposure to credit risk. The City does not have any investments subject to credit risk.

Concentration of Credit Risk

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

Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC/NCUA	\$ 1,209,386	\$ 1,210,933
Insured by Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	3,829,844	3,829,849
Uninsured, Uncollateralized	<u>850,668</u>	<u>1,525,184</u>
Total Deposits	<u>\$ 5,889,898</u>	<u>\$ 6,565,966</u>

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3: RECEIVABLES

Receivables are shown net of any allowance for uncollectible accounts. Balances as of June 30, 2012 are as follows:

General Fund:

Delinquent Taxes Receivable	\$ 140,858
Penalties and Interest on Delinquent Taxes	82,484
Due from School District	52,466
Grant Receivable ó COPS Grant	39,997
Other Grants	14,025
Miscellaneous Receivables	18,706
Allowance for Uncollectible Accounts	<u>(77,128)</u>
 Total General Fund	 <u>271,408</u>

Special Revenue Funds:

Water Fund:

Delinquent Water Receivables	4,096
Unbilled Water Receivables	204,409

Parking Garage Fund:

Parking Agreement Receivable	84,479
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Woman Helping Battered Woman Fund:

Grant Receivable	66,335
Other	654

JAG Fund:

Grant Receivable	37,809
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Reimbursable Fund:

Grant Receivable	12,480
Reimbursements Receivable	<u>339</u>

Total Special Revenue Funds	<u>410,601</u>
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Capital Projects Funds:

Downtown Project Fund:

Ground Lease ó Spinner Place Receivable	566,125
Grant Receivable	<u>9,252</u>

Total Capital Projects Funds	<u>575,377</u>
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Enterprise Fund:

Delinquent Sewer Receivables	14,861
Unbilled Sewer Receivables	248,097
Allowance for Doubtful Accounts	(1,000)
Grant Receivable - EPAGrant	<u>69,106</u>

Total Enterprise Fund	<u>331,064</u>
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Total Receivables	<u>\$1,588,450</u>
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CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 4: INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances at June 30, 2012 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 4,035,326
Sewer Fund	502,811	0
Water Fund	497,489	0
Community Development Fund	400	0
Parking Garage Fund	1,076,310	0
Appraisal Fund	0	232
Fire Hazmat Fund	8,710	0
Justice Center Fund	22,296	0
Women Helping Battered Women Fund	0	17,696
Asset Forfeitures Fund	1,961	0
JAG Fund	0	18,018
Community Development Capital		
Reserve Fund	200,815	0
Afterschool Program Fund	41,806	0
Summer Food Program Fund	8,419	0
Teen Center Fund	763	0
Summer Program Fund	3,724	0
Swimteam Fund	1,914	0
Operation Bloom Fund	1,758	0
Reimbursable Fund	0	11,846
Capital Reserve Fund	991,366	0
Downtown Project Fund	406,938	0
Community Center Fund	315,638	0
Total	<u>\$ 4,083,118</u>	<u>\$ 4,083,118</u>

The City has an interfund loan to the General Fund from the Community Development Capital Reserve Fund in the amount of \$36,908 for the purchase of a fire truck.

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 4:
 (Cont'd)

The loan accrues interest at 4% per annum beginning November 30, 2010. The Community Development Capital Reserve Fund will receive annual payments of principal and interest totaling \$13,300 beginning June 30, 2012. There will be no penalties assessed if principal is fully paid on or before June 30, 2015. At June 30, 2012, the balance of the interfund loan is \$36,908 and is included in the interfund balances.

Interfund transfers during the year ended June 30, 2012 were as follows:

From	To	Amount	Purpose
Afterschool Program Fund	General Fund	\$ 14,466	To cover monthly rent & utilities at Community Center
Community Center Fund	General Fund	45,064	To cover YMCA rental credit
General Fund	Teen Center Fund	6,545	To cover FY12 deficit in Teen Center
General Fund	Justice Center Fund	14,040	To cover portion of local match for Justice Center Grant
General Fund	Recreation and Wellness Fund	775	To cover 2012 program year deficit
General Fund	Capital Reserve Fund	362,056	Budgeted Transfer
Van Fund	Capital Reserve Fund	10,152	Close fund
Parking Garage Fund	General Fund	33,795	Budgeted Transfer
Parking Garage Fund	Downtown Project Fund	237,305	Contribution toward debt owed per reissued letter of credit
Sewer Fund	General Fund	34,703	Budgeted Transfer
Stonehouse Fund	General Fund	26,311	To cover expenses of Library lease & utilities
Stonehouse Fund	General Fund	131,951	Close fund
Teen Center Fund	General Fund	12,400	To cover monthly rent & utilities at Community Center
Downtown Project Fund	General Fund	216,403	To offset additional operating costs due to TIF development
Water Fund	General Fund	38,577	Budgeted Transfer
Water Tower Fund	Water Fund	39,383	Close fund
Preservation of Records Fund	General Fund	68,429	Close fund
Appraisal Fund	General Fund	67,245	Close fund
Reimburseables Fund	General Fund	27,525	Transfer surplus
Capital Reserve Fund	Enhancement Grant Fund	38,088	To transfer City match for grant
		\$ 1,425,213	

Note 5: LOANS/NOTES RECEIVABLE

Loans, with a balance of \$184,573, 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.

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 has a \$1,500,000 note receivable from HK Central Block Limited Partnership. This note is to assist in building affordable housing in Winooski. The source of the money for the loan was from a State grant. Interest is at 0% and the note is due June 1, 2029.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5:
(Contd)

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.

The City has a \$1,500,000 note receivable from HK Central Block Limited Partnership 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 thirty (30) years. Interest is at 5%, however, it did not begin to accrue until January 1, 2010. Interest received in 2012 amounted to \$75,000. The note is secured by a second mortgage on the entire Barlow Square condominium.

Note 6: PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment in the Sewer Fund is being depreciated utilizing the straight-line method over estimated lives of four (4) to sixty (60) years. The following is a breakdown of the property, plant and equipment and accumulated depreciation at June 30, 2012.

	<u>Estimated Life</u>	<u>Total Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Right of Way	N/A	\$ 5,320	\$ 0	\$ 5,320
Land	N/A	72,284	0	72,284
Sewer System	40-60 Years	5,390,320	2,884,249	2,506,071
Machinery & Equipment	4 to 20 Years	901,421	480,810	420,611
Aeration System	50 Years	<u>441,730</u>	<u>146,063</u>	<u>295,667</u>
		<u>\$ 6,811,075</u>	<u>\$ 3,511,122</u>	<u>\$ 3,299,953</u>

Capitalized Interest

Interest expense of \$3,085 was capitalized in 1996 as part of constructing the Sewer Fund's aeration system. Interest expense of \$6,627 was capitalized in 1999 as part of constructing the Sewer Fund's system upgrade.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7: 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 Fund. At June 30, 2012, the City had the following vested benefits earned by their employees:

Vacation Payable	\$190,115
Comp-Time Payable	26,726
Sick-Time Payable	<u>22,594</u>
 Total	 <u>\$239,435</u>

The amount payable from the Sewer Enterprise Fund is \$22,126.

In order to comply with generally accepted accounting principles, the City should be accruing non-vested vacation, sick and comp time for all City employees who they expect will eventually reach five (5) years of service. The City is currently only accruing vested benefits for employees with five (5) years of service or more. The difference is immaterial.

Note 8: DEFERRED REVENUE

Deferred Revenue in the General Fund consists of \$121,861 of delinquent property taxes and penalty and interest thereon and \$6,507 in miscellaneous receivables not collected within sixty (60) days after year-end, as they would not be available to liquidate current liabilities. Total deferred revenue in the General Fund is \$128,368.

Deferred Revenue in the Special Revenue Funds consists of \$2,635,373 of grant funds loaned out as described in Note 5. The revenue will be recognized as the loans are repaid to the City. It also consists of \$15,503 of water assessments not collected within sixty (60) days after year-end, \$830,769 of parking revenue collected in advance and \$99,901 of parking revenue not collected within sixty (60) days after year-end, \$19,791 JAG grant money not collected within sixty (60) days after year-end and \$17,132 of Justice Center Grant money not collected within sixty (60) days after year end. Total deferred revenue in the Special Revenue Funds is \$3,618,469.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8:
(Cont'd)

Deferred revenue in the Capital Projects Funds consists of \$1,500,000 of notes receivable issued for the sale of land as discussed in Note 5. The revenue will be recognized as the notes are repaid to the City. It also consists of \$9,252 of grant money not collected within sixty (60) days after year end and \$566,125 of ground lease payments from Hallkeen for the West Block Housing (Spinner Place) lease not collected within sixty (60) days after year end. Total deferred revenue in the Capital Projects Funds is \$2,075,377.

Note 9: BONDS AND NOTES PAYABLE

The Long-Term Debt Activity During the Year was as Follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Enterprise Fund:</u>				
Bond Payable ó Vermont Department of Environmental Conservation/U.S. Environmental Protection Agency Revolving Loan Fund, Pollution Aeration Improvements, \$20,000 Due Annually, 0% Interest, Due December 1, 2016	\$ 120,000	\$ 0	\$ 20,000	\$ 100,000
Bond Payable - Vermont Department of Environmental Conservation/U.S. Environmental Protection Agency Revolving Loan Fund, 0% Interest, \$60,000 Due Annually on January 1 through 2020	540,000	0	60,000	480,000
Bond Payable ó Vermont Municipal Bond Bank, Street Reconstruction, \$15,791 Due Annually November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually May 15 and November 15	<u>0</u>	<u>303,046</u>	<u>0</u>	<u>303,046</u>
Total Enterprise Fund Bonds and Notes Payable	<u>\$ 660,000</u>	<u>\$ 303,046</u>	<u>\$ 80,000</u>	<u>\$ 883,046</u>

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9:
(Cont'd)

Maturities are as follows:

	Principal	Interest	Total
June 30, 2013	\$ 95,791	\$ 9,618	\$ 105,409
June 30, 2014	95,791	9,476	105,267
June 30, 2015	95,791	9,292	105,083
June 30, 2016	95,040	9,065	104,105
June 30, 2017	95,040	8,794	103,834
June 30, 2018-2031	405,593	71,090	476,683
	\$ 883,046	\$ 117,335	\$ 1,000,381

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Funds:</u>				
Bond Payable ó 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	\$ 40,000	\$ 0	\$ 10,000	\$ 30,000
Bond Payable ó 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	90,000	0	30,000	60,000

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9:
(Cont'd)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<p>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, Repayments of this Note Come from the Revenues of the Tax Increment Financing (TIF) District</p>	\$20,900,000	\$ 0	\$850,000	\$20,050,000

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9:
(Cont'd)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Subordinate Special Obligation Tax Increment Financing Note, Series 2004A, Payable to Raymond Pecor, III and Stacey Pecor, Downtown Land Purchase, Interest at 5.0% Beginning July 1, 2005, Payable Semi-Annually, 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 \$1,050,000 at June 30, 2012. Additional Terms Apply for Failure to Repay the Note. This Note is Subordinate to the Variable Rate Special Obligation Refunding Bonds. The Note will be Repaid from Revenues of the Tax Increment Financing District	\$ 3,000,000	\$ 0	\$ 0	\$ 3,000,000
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 \$384,300 at June 30, 2012. 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. The Note will be Repaid from Revenues of the Tax Increment Financing District	1,098,000	0	0	1,098,000

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9:
(Cont'd)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable ó Vermont Municipal Bond Bank, Street Reconstruction, \$89,209 Due Annually November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually May 15 and November 15	\$ 0	\$1,711,954	\$ 0	\$ 1,711,954
Lease Payable ó Key Bank, Dump Truck with Plow and Sidewalk Plow, \$34,758 of Principal and Interest Due Annually January 10 Through 2016, Interest at 3.39%	0	162,762	34,758	128,004
Lease Payable ó Key Bank, Dump Truck with Plow, \$26,649 of Principal and Interest Due Annually July 15 Through 2015, Interest at 3.49%	0	124,558	26,649	97,909
Bond Payable ó Vermont Municipal Bond Bank, Community Center, \$110,000 Due Annually November 15 through 2029, Interest Ranging from 1.31% to 5.23% Paid Semi-Annually May 15 and November 15	<u>2,090,000</u>	<u>0</u>	<u>110,000</u>	<u>1,980,000</u>
Total Governmental Long-Term Debt	<u>\$27,218,000</u>	<u>\$1,999,274</u>	<u>\$1,061,407</u>	<u>\$28,155,867</u>

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 9:
 (Cont'd)

Maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2013	\$ 1,142,860	\$ 1,016,172	\$ 2,159,032
June 30, 2014	1,259,702	970,328	2,230,030
June 30, 2015	1,402,032	1,022,113	2,424,145
June 30, 2016	1,687,312	1,062,993	2,750,305
June 30, 2017	1,809,800	987,243	2,797,043
2018-2022	11,518,285	3,553,609	15,071,894
2023-2027	8,581,075	716,227	9,297,302
2028-2032	669,840	24,410	694,250
2033	<u>84,961</u>	<u>0</u>	<u>84,961</u>
Total	\$ <u>28,155,867</u>	\$ <u>9,353,095</u>	\$ <u>37,508,962</u>

The \$20,050,000 Downtown Project Bonds and related Letter of Credit include certain financial and other covenants.

Note 10: RESTRICTED/DESIGNATED RETAINED EARNINGS

The City has restricted retained earnings of \$168,633 which is restricted by user hook on fees for expansion.

The City also has \$825,428 designated retained earnings for sewer operations. Included in this amount, the City has set aside \$109,939 as a sinking fund in the Sewer Fund which will be used to fund the bond issue approved by the voters in April, 1995.

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 11: RESTRICTED FUND BALANCES

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

General Fund:

Restricted for Prepaid Expenses	\$ 148,890
Total General Fund	<u>148,890</u>

Special Revenue Funds:

Restricted for Community Development by Grant Agreements	209,786
Restricted for the Swim Team by Donations	1,914
Restricted for Prepaid Expenses	<u>4,066</u>
Total Special Revenue Funds	<u>215,766</u>

Capital Projects Funds:

Restricted for Downtown Project by Note Proceeds, Grant Agreement, and TIF District Revenues	883,264
Restricted for Prepaid Expenses	<u>31,149</u>
Total Capital Projects Funds	<u>914,413</u>

Total Restricted Fund Balances	<u>\$1,279,069</u>
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Note 12: DESIGNATED FUND BALANCES

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

Special Revenue Funds:

Designated for Water Fund	\$ 740,975
Designated for Parking Garage Fund	225,491
Designated for Fire Hazmat Fund	8,710
Designated for Asset Forfeitures Fund	2,961
Designated for Community Development Capital Reserve Fund	237,330
Designated for After School Program	41,856
Designated for Summer Food Program	3,843
Designated for Operation Bloom Fund	<u>1,758</u>

Total Special Revenue Funds	<u>1,262,924</u>
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CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 12:
(Cont'd)

Capital Projects Funds:	
Designated for the Capital Reserve Fund	\$ 893,458
Designated for Community Center Fund	<u>315,638</u>
 Total Capital Projects Funds	 <u>1,209,096</u>
 Total Designated Fund Balances	 <u>\$2,472,020</u>

The undesignated deficit of \$794 in the Women Helping Battered Woman Fund will be funded by future program revenues.

The undesignated deficit of \$1,300 in the Summer Program Fund will be funded by future program revenues.

The undesignated deficit of \$19,791 in the JAG Grant Fund will be funded by future program revenues.

The undesignated deficit of \$232 in the Appraisal Fund will be funded by future program revenues.

Note 13: RETIREMENT PLANS

Police Officers, the Fire Chief, the Zoning Administrator and dispatchers are covered under the State of Vermont Municipal Employees' Retirement Plan. Employees in Group C contribute 9.25% of their gross salary and the City contributes 6.50%. Employees in Group D contribute 11% of their gross salary and the City contributes 9.5%. Group B is for public works employees and they contribute 4.5% and the City contributes 5%. Employees in Group DC, a defined contribution plan, contribute 5% of their gross salary and the City contributes 5%. 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. Due to the nature of these plans, 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 \$3,377,662 while its covered payroll for these retirement plans was \$1,734,650. Pension expense for these plans for the year ended June 30, 2012 was \$137,847.

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 13:
 (Cont'd)

The City also maintains a Section 401(a) defined contribution pension plan for all other employees not included in the State Plan. 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 employees of gross salary less amounts deferred under a Section 125 cafeteria plan except for Police Officers, the Fire Chief, dispatchers, and the Zoning Administrator. Beginning in July, 2006, the Public Works employees can receive up to 6% of salary provided they contribute at least 6% to the Plan. The City's total payroll for the year was \$3,377,662 while its covered payroll for this retirement plan was \$1,250,684. Pension expense for this plan for the year was \$64,675.

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.

Note 14: 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 2012 is as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	\$1.1188	\$1.3943
Local Agreement Rate	.0011	.0011
City	<u>.9400</u>	<u>.9400</u>
 Total	 <u>\$2.0599</u>	 <u>\$2.3354</u>

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 15: 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.

Note 16: OPERATING LEASES

The City has entered into an operating lease for copiers and computer equipment. Lease expense for the fiscal year 2012 was \$22,404. Future minimum lease payments are as follows:

2013	\$ 29,304
2014	22,528
2015	15,580
2016	13,800
2017	<u>6,900</u>
Total	<u>\$ 88,112</u>

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 16:
(Contd)

In addition, the City has entered into an operating lease with Champlain Mill Associates to lease space for the Library. The lease requires quarterly payments of \$5,438 until September 1, 2012 and then the amount will be adjusted by the Consumer Price Index (CPI). The lease terms are for ten (10) years with two (2) ten (10) year renewal options with the price being adjusted by the CPI. Lease expense for fiscal year 2012 was \$22,321. Future minimum lease payments are as follows:

2013	\$ 22,511
2014	22,511
2015	22,511
2016	<u>5,627</u>
	<u>\$ 73,160</u>

Note 17: CONCENTRATION OF EXPENSES

The City purchased all of their water from Champlain Water District (CWD) for the year ended June 30, 2012. The City purchased \$317,443 of water from CWD.

Note 18: TIF DISTRICT

The City has established a Tax Increment Financing (TIF) District. As discussed in Note 9, revenues from this District must be used to repay debt for the Downtown Project. The City, along with the parties involved in the downtown improvement projects, have created a Development and Disposition Agreement (herein DDA) that outlines a series of terms and events. Included in the DDA is an outline of guaranteed revenue streams to the City through year 2034 for PILOT, ground leases, property tax stabilization payments and parking spaces.

Note 19: 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, 2012.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 20: COMMITMENTS AND CONTINGENCIES

The City is involved in a lawsuit related to the termination of an employee. The employee claimed the City violated its charter in terminating him and this claim was dismissed in Superior Court. The Vermont Supreme Court upheld this decision. The remainder of the employee's claims relates to the violation of his constitutional rights and religious discrimination, and is pending in Federal court. The City's insurer has exercised a reservation of rights. The City is unable to determine the likelihood or amount of an unfavorable outcome.

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.

The City has executed an Interlocal Agreement with the Champlain Water District to pay for 47.4% of the District's debt service related to a newly constructed water tower. It is estimated that the City's share would be approximately \$194,000 plus interest payable at a variable rate, averaging 4.44%, over a twenty (20) year term. The District's debt service requires annual principal payments of \$20,000.

The Vermont Office of the State Auditor audited the City's TIF District for compliance with legal requirements and released its report in October 2012. This was the State's first audit of the District and it went back to its inception in 2004. The City was the last of four municipalities that the State audited. As with the other municipalities, the Auditor found instances of noncompliance which could affect the operation of the District in future years. The Auditor also asserted that the City has underpaid the State Education Fund \$1.5 million since inception. The audits of the other municipalities also resulted in large liabilities. The City disagrees with all of the Auditor's findings and does not believe it will have to repay the State Education Fund. If the State were to require repayment, the City would protest vigorously. There is no likelihood that any repayment would be made from current financial resources and on the modified accrual basis of accounting, therefore, no liability is recorded for this contingency.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 20:
(Contd)

The City leases space to several tenants at the O'Brien Community Center, which is a facility the City owns. One of the tenants, Vermont Works for Women (VWWF), performed approximately \$440,000 of fit up to its space in 2009. As part of its agreement with the City, in exchange for this fit up, VWWF will receive a \$7,500 credit annually against its total annual rent of \$11,750. If VWWF exercises its option not to renew the lease and vacate the space, the City will be liable to them for 75% of the original fit up costs less the rent credits received to date. At June 30, 2012, the potential liability is \$307,500. The City believes, at this time, that VWWF will remain a tenant for the foreseeable future. There is no likelihood that any repayment would be made from current financial resources and on the modified accrual basis of accounting, therefore, no liability is recorded for this contingency.

Note 21: SUBSEQUENT EVENTS

In October 2012, the City sold a lot it owns to a developer for \$1,000,000. The City has a commitment from the developer to purchase another lot for \$800,000 but conditions of sale have not yet been met.

CITY OF WINOOSKI, VERMONT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	Water Fund	Water Tower Fund	Community Development Fund	Parking Garage Fund	Preservation of Records Fund	Appraisal Fund	Van Fund	Fire Hazmat Fund	Recreation & Wellness Fund	Justice Center Fund
ASSETS										
Cash	\$ 97,062	\$ 0	\$ 209,386	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68
Receivables	4,096	0	0	0	0	0	0	0	0	0
Unbilled Water Receivable	204,409	0	0	0	0	0	0	0	0	0
Grants Receivable	0	0	0	0	0	0	0	0	0	0
Parking Agreement Receivable	0	0	0	84,479	0	0	0	0	0	0
Due From Other Funds	497,489	0	400	1,076,310	0	0	0	8,710	0	22,296
Loan to General Fund	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses	64	0	0	3,770	0	232	0	0	0	0
Loans Receivable	0	0	2,635,373	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 803,120	\$ 0	\$ 2,845,159	\$ 1,164,559	\$ 0	\$ 232	\$ 0	\$ 8,710	\$ 0	\$ 22,364
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable	\$ 42,860	\$ 0	\$ 0	\$ 375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,216
Accrued Payroll	3,718	0	0	3,678	0	0	0	0	0	2,016
Customer Deposits	0	0	0	575	0	0	0	0	0	0
Deferred Revenue	15,503	0	2,635,373	930,670	0	0	0	0	0	17,132
Due to Other Funds	0	0	0	0	0	232	0	0	0	0
Total Liabilities	62,081	0	2,635,373	935,298	0	232	0	0	0	22,364
Fund Balances/(Deficits):										
Restricted	64	0	209,786	3,770	0	232	0	0	0	0
Unrestricted										
Designated	740,975	0	0	225,491	0	0	0	8,710	0	0
Undesignated	0	0	0	0	0	(232)	0	0	0	0
Total Fund Balances/ (Deficits)	741,039	0	209,786	229,261	0	0	0	8,710	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 803,120	\$ 0	\$ 2,845,159	\$ 1,164,559	\$ 0	\$ 232	\$ 0	\$ 8,710	\$ 0	\$ 22,364

See Disclaimer in the Accompanying Independent Auditor's Report.

Woman Helping Battered Woman Fund	Asset Forfeitures Fund	JAG Fund	Community Development Capital Reserve Fund	Enhancement Grant Fund	Afterschool Program Fund	Summer Food Program Fund	Teen Center Fund	Summer Program Fund	Swimteam Fund	Operation Bloom Fund	Stonehouse Fund	Reimbursables Fund	Total
\$ 0	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 50	\$ 0	\$ 50	\$ 0	\$ 0	\$ 0	\$ 0	0	\$ 307,616
654	0	0	0	0	0	0	0	0	0	0	0	12,480	17,230
0	0	0	0	0	0	0	0	0	0	0	0	0	204,409
66,335	0	37,809	0	0	0	0	0	0	0	0	0	339	104,483
0	0	0	0	0	0	0	0	0	0	0	0	0	84,479
0	1,961	0	200,815	0	41,806	8,419	763	3,724	1,914	1,758	0	0	1,866,365
0	0	0	36,908	0	0	0	0	0	0	0	0	0	36,908
0	0	0	0	0	0	0	0	0	0	0	0	0	4,066
0	0	0	0	0	0	0	0	0	0	0	0	0	2,635,373
<u>\$ 66,989</u>	<u>\$ 2,961</u>	<u>\$ 37,809</u>	<u>\$ 237,723</u>	<u>\$ 0</u>	<u>\$ 41,856</u>	<u>\$ 8,419</u>	<u>\$ 813</u>	<u>\$ 3,724</u>	<u>\$ 1,914</u>	<u>\$ 1,758</u>	<u>\$ 0</u>	<u>12,819</u>	<u>\$ 5,260,929</u>
\$ 49,293	\$ 0	\$ 19,791	\$ 393	\$ 0	\$ 0	\$ 4,576	\$ 229	\$ 180	\$ 0	\$ 0	\$ 0	973	\$ 121,886
794	0	0	0	0	0	0	584	4,844	0	0	0	0	15,634
0	0	0	0	0	0	0	0	0	0	0	0	0	575
0	0	19,791	0	0	0	0	0	0	0	0	0	0	3,618,469
17,696	0	18,018	0	0	0	0	0	0	0	0	0	11,846	47,792
<u>67,783</u>	<u>0</u>	<u>57,600</u>	<u>393</u>	<u>0</u>	<u>0</u>	<u>4,576</u>	<u>813</u>	<u>5,024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,819</u>	<u>3,804,356</u>
0	0	0	0	0	0	0	0	0	1,914	0	0	0	215,766
0	2,961	0	237,330	0	41,856	3,843	0	0	0	1,758	0	0	1,262,924
(794)	0	(19,791)	0	0	0	0	0	(1,300)	0	0	0	0	(22,117)
<u>(794)</u>	<u>2,961</u>	<u>(19,791)</u>	<u>237,330</u>	<u>0</u>	<u>41,856</u>	<u>3,843</u>	<u>0</u>	<u>(1,300)</u>	<u>1,914</u>	<u>1,758</u>	<u>0</u>	<u>0</u>	<u>1,456,573</u>
<u>\$ 66,989</u>	<u>\$ 2,961</u>	<u>\$ 37,809</u>	<u>\$ 237,723</u>	<u>\$ 0</u>	<u>\$ 41,856</u>	<u>\$ 8,419</u>	<u>\$ 813</u>	<u>\$ 3,724</u>	<u>\$ 1,914</u>	<u>\$ 1,758</u>	<u>\$ 0</u>	<u>12,819</u>	<u>\$ 5,260,929</u>

CITY OF WINOOSKI, VERMONT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund	Water Tower Fund	Community Development Fund	Parking Garage Fund	Preservation of Records Fund	Appraisal Fund	Van Fund	Fire Hazmat Fund	Recreation & Wellness Fund	Justice Center Fund
Revenue:										
Charges for Services	\$ 818,764	\$ 0	\$ 0	\$ 688,560	\$ 5,942	\$ 401	\$ 4,620	\$ 0	\$ 3,236	\$ 0
Investment Income	29	245	6,203	0	0	0	0	0	0	0
Intergovernmental	0	0	152,859	0	0	16,957	0	0	0	210,268
Donations	0	0	0	0	0	0	0	0	0	2,014
Loan Repayments	0	0	68,505	0	0	0	0	0	0	0
Other	2,811	0	400	13,796	0	0	0	750	0	285
Total Revenue	821,604	245	227,967	702,356	5,942	17,358	4,620	750	3,236	212,567
Expenditures:										
General Government	0	0	0	0	0	3,840	0	0	0	0
Water Operations	587,271	15,363	0	0	0	0	0	0	0	0
Community Development	0	0	155,259	0	0	0	0	0	0	0
Parking Garage	0	0	0	338,756	0	0	0	0	0	0
Culture and Recreation	0	0	0	0	0	0	0	0	6,551	0
Public Safety	0	0	0	0	0	0	0	1,015	0	237,503
Public Works	0	0	0	0	0	0	0	0	0	0
Capital Outlay	361,226	0	0	0	0	0	13,841	0	0	0
Debt Service										
Interest	7,936	0	0	0	0	0	0	0	0	0
Total Expenditures	956,433	15,363	155,259	338,756	0	3,840	13,841	1,015	6,551	237,503
Excess/(Deficiency) of Revenue Over Expenditures	(134,829)	(15,118)	72,708	363,600	5,942	13,518	(9,221)	(265)	(3,315)	(24,936)
Other Financing Sources/(Uses):										
Debt Proceeds	284,991	0	0	0	0	0	0	0	0	0
Transfers In	39,383	0	0	0	0	0	0	0	775	14,040
Transfers Out	(38,577)	(39,383)	0	(271,100)	(68,429)	(67,245)	(10,152)	0	0	0
Total Other Financing Sources/(Uses)	285,797	(39,383)	0	(271,100)	(68,429)	(67,245)	(10,152)	0	775	14,040
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and and Other Financing/(Uses)	150,968	(54,501)	72,708	92,500	(62,487)	(53,727)	(19,373)	(265)	(2,540)	(10,896)
Fund Balances/(Deficit) - July 1, 2011	590,071	54,501	137,078	136,761	62,487	53,727	19,373	8,975	2,540	10,896
Fund Balances/(Deficit) - June 30, 2012	\$ 741,039	\$ 0	\$ 209,786	\$ 229,261	\$ 0	\$ 0	\$ 0	\$ 8,710	\$ 0	\$ 0

See Disclaimer in the Accompanying Independent Auditor's Report.

Woman Helping Battered Woman Fund	Asset Forfeitures Fund	JAG Fund	Community Development Capital Reserve Fund	Enhancement Grant Fund	Afterschool Program Fund	Summer Food Program Fund	Teen Center Fund	Summer Program Fund	Swimteam Fund	Operation Bloom Fund	Stonehouse Fund	Reimbursables Fund	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,785	\$ 661	\$ 0	\$ 19,924	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,589,893
0	0	0	1,931	0	0	0	0	0	0	0	0	0	8,408
199,249	1,866	28,627	0	207,121	0	20,791	25,299	31,315	0	0	0	101,887	996,239
654	0	0	0	0	0	0	31,749	0	0	1,275	0	0	35,692
0	0	0	0	0	0	0	0	0	0	0	0	0	68,505
0	236	0	31,840	0	5,770	0	0	0	0	0	0	1,974	57,862
<u>199,903</u>	<u>2,102</u>	<u>28,627</u>	<u>33,771</u>	<u>207,121</u>	<u>53,555</u>	<u>21,452</u>	<u>57,048</u>	<u>51,239</u>	<u>0</u>	<u>1,275</u>	<u>0</u>	<u>103,861</u>	<u>2,756,599</u>
0	0	0	0	0	0	0	0	0	0	0	0	0	3,840
0	0	0	0	0	0	0	0	0	0	0	0	0	602,634
0	0	0	23,319	0	0	0	0	0	0	0	0	19,452	198,030
0	0	0	0	0	0	0	0	0	0	0	0	0	338,756
0	0	0	0	0	20,069	24,581	51,193	43,335	0	471	0	0	146,200
200,697	3,000	48,418	0	0	0	0	0	0	0	0	0	36,939	527,572
0	0	0	0	0	0	0	0	0	0	0	0	21,346	21,346
0	0	0	20,474	235,839	0	0	0	0	0	0	0	0	631,380
0	0	0	0	0	0	0	0	0	0	0	0	0	7,936
<u>200,697</u>	<u>3,000</u>	<u>48,418</u>	<u>43,793</u>	<u>235,839</u>	<u>20,069</u>	<u>24,581</u>	<u>51,193</u>	<u>43,335</u>	<u>0</u>	<u>471</u>	<u>0</u>	<u>77,737</u>	<u>2,477,694</u>
(794)	(898)	(19,791)	(10,022)	(28,718)	33,486	(3,129)	5,855	7,904	0	804	0	26,124	278,905
0	0	0	0	0	0	0	0	0	0	0	0	0	284,991
0	0	0	0	38,088	0	0	6,545	0	0	0	0	0	98,831
0	0	0	0	0	(14,466)	0	(12,400)	0	0	0	(158,262)	(27,525)	(707,539)
0	0	0	0	38,088	(14,466)	0	(5,855)	0	0	0	(158,262)	(27,525)	(323,717)
(794)	(898)	(19,791)	(10,022)	9,370	19,020	(3,129)	0	7,904	0	804	(158,262)	(1,401)	(44,812)
0	3,859	0	247,352	(9,370)	22,836	6,972	0	(9,204)	1,914	954	158,262	1,401	1,501,385
<u>\$ (794)</u>	<u>\$ 2,961</u>	<u>\$ (19,791)</u>	<u>\$ 237,330</u>	<u>\$ 0</u>	<u>\$ 41,856</u>	<u>\$ 3,843</u>	<u>\$ 0</u>	<u>\$ (1,300)</u>	<u>\$ 1,914</u>	<u>\$ 1,758</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,456,573</u>

CITY OF WINOOSKI, VERMONT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	<u>Capital Reserve Fund</u>	<u>Downtown Project Fund</u>	<u>Community Center Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 488,605	\$ 0	\$ 488,605
Receivables	0	575,377	0	575,377
Due from Other Funds	991,366	406,938	315,638	1,713,942
Notes Receivable	0	1,500,000	0	1,500,000
Prepaid Expenses	<u>26,649</u>	<u>4,500</u>	<u>0</u>	<u>31,149</u>
 TOTAL ASSETS	 \$ #####	 \$ <u>2,975,420</u>	 \$ <u>315,638</u>	 \$ <u>4,309,073</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 97,908	\$ 12,279	\$ 0	\$ 110,187
Deferred Revenue	<u>0</u>	<u>2,075,377</u>	<u>0</u>	<u>2,075,377</u>
 Total Liabilities	 <u>97,908</u>	 <u>2,087,656</u>	 <u>0</u>	 <u>2,185,564</u>
Fund Balances:				
Restricted	26,649	887,764	0	914,413
Unrestricted				
Designated	<u>893,458</u>	<u>0</u>	<u>315,638</u>	<u>1,209,096</u>
 Total Fund Balances	 <u>920,107</u>	 <u>887,764</u>	 <u>315,638</u>	 <u>2,123,509</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ #####	 \$ <u>2,975,420</u>	 \$ <u>315,638</u>	 \$ <u>4,309,073</u>

See Disclaimer in the Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012

	Capital Reserve Fund	Downtown Project Fund	Community Center Fund	Total
Revenue:				
Investment Income	\$ 0	\$ 75,421	\$ 0	\$ 75,421
Property Taxes	0	1,263,857	0	1,263,857
Grant Income	0	0	115,683	115,683
Rent/Lease Income	0	303,139	0	303,139
Permits/Fees	0	43,492	0	43,492
PILOT	0	484,947	0	484,947
Donations	0	0	100,300	100,300
Cascades Unit Sales Profit Sharing	0	22,500	0	22,500
Other	7,483	2	0	7,485
Total Revenue	7,483	2,193,358	215,983	2,416,824
Expenditures:				
General Government	0	76,555	0	76,555
Community Development	0	214,051	1,536	215,587
Capital Outlay	1,088,319	0	49,475	1,137,794
Debt Service:				
Bond and Note Principal	101,408	850,000	0	951,408
Interest	47,726	1,013,323	0	1,061,049
Total Expenditures	1,237,453	2,153,929	51,011	3,442,393
Excess/(Deficiency) of Revenue Over Expenditures	(1,229,970)	39,429	164,972	(1,025,569)
Other Financing Sources/(Uses):				
Debt Proceeds	1,714,283	0	0	1,714,283
Transfers In	372,208	237,305	0	609,513
Transfers Out	(38,088)	(216,403)	(45,064)	(299,555)
Total Other Financing Sources/(Uses)	2,048,403	20,902	(45,064)	2,024,241
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing/(Uses)	818,433	60,331	119,908	998,672
Fund Balances - July 1, 2011	101,674	827,433	195,730	1,124,837
Fund Balances - June 30, 2012	\$ 920,107	\$ 887,764	\$ 315,638	\$ 2,123,509

See Disclaimer in the Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
ENTERPRISE FUND - SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Charges for Service:			
Sewer Service Charge	\$ 972,416	\$ 1,006,712	\$ 34,296
Hook-Up Fees	0	5,870	5,870
	<u>972,416</u>	<u>1,012,582</u>	<u>40,166</u>
Total Charges for Service	972,416	1,012,582	40,166
Capital Grant	0	265,643	265,643
Loan Proceeds	60,609	303,046	242,437
	<u>60,609</u>	<u>303,046</u>	<u>242,437</u>
Total Revenue	<u>1,033,025</u>	<u>1,581,271</u>	<u>548,246</u>
Expenditures:			
Salaries & Wages:			
Permanent/Full Time	205,356	217,315	(11,959)
Part Time	18,690	15,118	3,572
Overtime	12,000	12,882	(882)
	<u>12,000</u>	<u>12,882</u>	<u>(882)</u>
Total Salaries & Wages	<u>236,046</u>	<u>245,315</u>	<u>(9,269)</u>
Operating Expenses:			
Health Insurance	41,277	43,052	(1,775)
Dental Insurance	4,300	3,226	1,074
Life Insurance	542	530	12
Disability Insurance	885	2,294	(1,409)
Fica/Medi Expense	18,058	18,876	(818)
Retirement Expense	10,767	12,587	(1,820)
Unemployment Insurance	2,145	1,912	233
Workers Compensation Insurance	13,295	8,163	5,132
Other Employee Benefits	2,500	2,333	167
Professional Services	37,800	144,742	(106,942)
Water and Sewer	3,300	1,854	1,446
Biosolids	125,000	106,766	18,234
Membership Dues	7,000	7,055	(55)
Other Equipment Maintenance/Repairs	7,500	3,290	4,210
Collection System Maintenance	95,000	62,569	32,431
Equipment Rental	6,000	8,500	(2,500)
Vehicle Maintenance/Repairs	7,000	9,554	(2,554)
Insurance Coverage/Contract	10,000	10,579	(579)

See Disclaimer in the Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
ENTERPRISE FUND - SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Expenses (Cont'd)			
Telephone	\$ 2,300	\$ 1,939	\$ 361
Postage	0	363	(363)
Legal Fees	4,000	0	4,000
Training and Travel	7,000	2,547	4,453
General Supplies	3,700	2,339	1,361
Chemical Supplies	30,000	18,252	11,748
Laboratory Analysis	14,000	13,684	316
Electricity	45,000	43,090	1,910
Heating Fuel - Oil	5,000	3,819	1,181
Gasoline	1,200	1,667	(467)
Diesel	12,000	11,007	993
Building/Equipment Maintenance	21,000	4,873	16,127
General Fund Reimbursement	50,000	34,703	15,297
Sinking Fund Reserve	5,200	5,200	0
Aeration Bond	20,000	20,000	0
Clarifier Bond	60,000	60,000	0
New Capital	74,000	250,174	(176,174)
Debt Interest	0	8,503	(8,503)
Contingency	20,000	960	19,040
	<u>766,769</u>	<u>931,002</u>	<u>(164,233)</u>
Vehicle & Equipment:			
Plant Improvements	20,000	20,396	(396)
Equipment Purchase	0	242	(242)
Reconstruction Projects	60,609	293,695	(233,086)
	<u>80,609</u>	<u>314,333</u>	<u>(233,724)</u>
Total Vehicle & Equipment			
	<u>80,609</u>	<u>314,333</u>	<u>(233,724)</u>
Total Expenditures	<u>1,083,424</u>	<u>1,490,650</u>	<u>(407,226)</u>
Net Income/(Loss)	<u>\$ (50,399)</u>	<u>90,621</u>	<u>\$ 141,020</u>

The following adjustments reconcile the Net Income - Budgetary Basis to Net Income - GAAP Basis:

Depreciation Expense	(164,692)
Sinking Fund Reserve	5,200
Capital Outlay	543,869
Loan Proceeds	(303,046)
Payments on Notes and Bonds Payable	80,000
Reserve Fund Earnings	593
	<u>252,545</u>
Net Income - (GAAP Basis) - Exhibit V	<u>\$ 252,545</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, 2012

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>20,792</u>
Total U.S. Department of Agriculture				<u>20,792</u>
<u>U.S. Department of Energy</u>				
Direct Programs				
Energy Efficiency and Conservation Block Grant	02240-AEECBG-MUN-101	81.128	\$ 25,000	<u>25,000</u>
Total U.S. Department of Energy				<u>25,000</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	<u>14,396</u>
Total U.S. Department of Homeland Security				<u>14,396</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-0000	14.228	380,000	<u>152,859</u>
Total U.S. Department of Housing and Urban Development				<u>152,859</u>
<u>U.S. Department of Justice</u>				
Direct Programs				
COPS Recovery - ARRA	COPS-CHRP-2009-1	16.710	218,650	76,426
Edward Byrne Justice Assistance Grant - ARRA	2009-SB-B9-0362	16.804	84,209	5,568
Edward Byrne Justice Assistance Grant	2009-DJ-BX-0620	16.738	19,665	2,197
Edward Byrne Justice Assistance Grant	2011-DJ-BX-0682	16.738	13,640	13,640
Edward Byrne Justice Assistance Grant	2012-DJ-BX-0064	16.738	10,602	5,395
Grants to Encourage Arrest	2006-WE-AX-0037	16.590	1,199,652	200,043
Passed through State of Vermont Department of Education				
Extended Education Programming at Schools	4614R7911201	16.541	15,000	<u>11,266</u>
Total U.S. Department of Justice				<u>314,535</u>

See Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	Grant Amount	Expenditures
<u>U.S. Department of Transportation</u>				
Passed through the State of Vermont Agency of Transportation				
Highway Construction and Planning Grant - Transportation and Enhancement Grant	STP EH07 (10)	20.205	\$ 360,000	\$ 207,121
Highway Safety Improvement Project Grant	GR0119	20.205	56,225	1,012
Highway Construction and Planning Grant	CA0304	20.205	129,195	16,530
Passed through the State of Vermont Department of Public Safety				
Safety Belt Performance Grant	02140-0911-3560	20.609	7,250	7,222
Total U.S. Department of Transportation				231,885
<u>U.S. Environmental Protection Agency</u>				
Passed through the Champlain Water District				
Stormwater Assistance Grant	XP-97101101-0	66.202	113,790	13,790
Stormwater Assistance Grant	XP-97122601-0	66.202	229,303	206,853
Total U.S. Environmental Protection Agency				220,643
Total Federal Awards				\$ 980,110

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	\$ 161,534
Community Development Block Grant	14.228	\$ 152,859

See Accompanying Independent Auditor's Report.

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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 the financial statements of the City of Winooski, Vermont as of and for the year ended June 30, 2012 and have issued our report thereon dated January 18, 2013. The report on the financial statements was adverse because the City did not adopt Governmental Accounting Standards Board (GASB) Statement No. 34, 37 and 38 as required by generally accepted accounting principles (GAAP). Additionally, the City treats the Water Fund and Parking Garage Fund as Special Revenue Funds rather than as Enterprise Funds. Generally accepted accounting principles require funds financed with user charges to be treated as Enterprise Funds. Also, the loans and notes receivable have not been discounted to their net present value. The amount of the discount is unknown. In addition, because of inadequacies in the accounting records, we were unable to determine if the City capitalized all its Sewer Fund capital assets that were part of the Downtown Project. Except as disclosed in the preceding sentence, 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.

Internal Control Over Financial Reporting

Management of the City of Winooski, Vermont is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Winooski, Vermont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding 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 and therefore there can be no assurance that all significant deficiencies or material weaknesses have been identified. 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. However, we identified a certain deficiency in internal control over financial reporting, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 12-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 12-2 and 12-3 to be significant deficiencies.

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.

We have also noted certain other matters which we have reported to the management of the City of Winooski, Vermont in a separate letter dated January 18, 2013.

The City of Winooski, Vermont's responses to the findings identified in our audit are included with the accompanying Schedule of Findings and Deficiencies in Internal Control. We did not audit the City of Winooski, Vermont's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 18, 2013
Montpelier, Vermont
VT Lic. #92-000180

Sullivan, Powers & Company

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Report on Compliance That Could Have a Direct and
Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Winooski, Vermont with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2012. The City of Winooski, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the City of Winooski, Vermont's management. Our responsibility is to express an opinion on the City of Winooski, Vermont's compliance based on our audit.

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 above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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. Our audit does not provide a legal determination on the City of Winooski, Vermont's compliance with those requirements.

In our opinion, the City of Winooski, Vermont complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

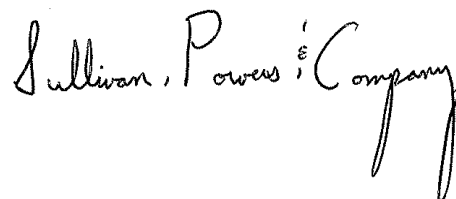
The management of the City of Winooski, Vermont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Winooski, Vermont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 12-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of management, City Council, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 18, 2013
Montpelier, Vermont
Vt Lic. #92-000180



CITY OF WINOOSKI, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Financial Statement Findings:

Deficiencies in Internal Control:

Material Weaknesses:

11-1 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.

CITY OF WINOOSKI, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

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.

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:

Corrective action is in process but not complete.

Significant Deficiencies:

11-2 Accounting and Procedures Manual

Criteria:

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel. Written procedures, instructions and assignment of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It can also help to ensure that all similar transactions are treated consistently, that accounting principles being used are proper, and that records are produced in the form desired by management. In addition, it can be used for the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs and can help ensure compliance with OMB and grantor requirements.

Condition:

The City did not have an accounting and procedures manual in place as of the end of the year. They have begun to develop one subsequent to year end, however, it is only in the beginning stages.

CITY OF WINOOSKI, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Cause:

The City has not developed the manual due to time constraints.

Effect:

The City's staff does not have a manual to turn to when questions arise about the scope of their duties and responsibilities.

Recommendation:

We recommend that the City develop this document as soon as possible. Each individual should document their duties and how to perform them. We also recommend that the City make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Corrective Action:

Corrective action was taken.

11-3 Cash Collections

Criteria:

Internal controls should be in place over cash collections that reasonably ensure the accurate tracking of revenues and the protection of cash assets.

Condition:

Internal controls over cash collections and deposits are inadequately designed. The City currently issues receipts to support payments received but they are not pre-numbered.

Cause:

The City does not have a cash register and has not been utilizing its software to generate pre-numbered receipts.

Effect:

Cash collected could be subject to theft.

CITY OF WINOOSKI, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Recommendation:

We recommend that the City evaluate its controls over cash collections and implement changes such as the utilization of a cash register or provide individuals making payments with pre-numbered receipts. Copies of the receipts issued should be reconciled to the cash deposited.

Corrective Action:

Corrective action was taken.

11-4 Grants Management Database/Grant Revenue

Criteria:

All entities that receive and spend Federal funds are required to track all such expenditures in order to determine if they are subject to a Single Audit under the requirements of OMB Circular A-133 and to prepare the Schedule of Expenditures of Federal Awards.

Condition:

Internal controls over the tracking of the City's grants are inadequately designed. The City receives numerous grants for various projects throughout the City. The City had a database tracking the grants but this database was not kept up to date during the year. The database was not completed until the audit was in process. Adjustments to the City's general ledger were necessary to reconcile to the database.

Cause:

The City's accountant did not receive grant information timely from the various departments and, thus, could not maintain the database.

Effect:

The Schedule of Expenditures of Federal Awards could be incomplete or inaccurate or the City's general ledger may not accurately reflect grant transactions.

Recommendation:

We recommend that the grant database be maintained and the revenues, expenditures and grants receivable be reconciled to the general ledger monthly.

CITY OF WINOOSKI, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Corrective Action:

Corrective action was taken.

11-5 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.

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.

CITY OF WINOOSKI, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Corrective Action:

Corrective action is in process but not complete.

Federal Awards:

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

11-2 Accounting and Procedures Manual

Criteria:

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel. Written procedures, instructions and assignment of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It can also help to ensure that all similar transactions are treated consistently, that accounting principles being used are proper, and that records are produced in the form desired by management. In addition, it can be used for the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs and can help ensure compliance with OMB and grantor requirements.

Condition:

The City did not have an accounting and procedures manual in place as of the end of the year. They have begun to develop one subsequent to year end, however, it is only in the beginning stages.

Cause:

The City has not developed the manual due to time constraints.

Effect:

The City's staff does not have a manual to turn to when questions arise about the scope of their duties and responsibilities.

CITY OF WINOOSKI, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Recommendation:

We recommend that the City develop this document as soon as possible. Each individual should document their duties and how to perform them. We also recommend that the City make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Corrective Action:

Corrective action was taken.

11-4 Grants Management Database/Grant Revenue

Criteria:

All entities that receive and spend Federal funds are required to track all such expenditures in order to determine if they are subject to a Single Audit under the requirements of OMB Circular A-133 and to prepare the Schedule of Expenditures of Federal Awards.

Condition:

Internal controls over the tracking of the City's grants are inadequately designed. The City receives numerous grants for various projects throughout the City. The City had a database tracking the grants but this database was not kept up to date during the year. The database was not completed until the audit was in process. Adjustments to the City's general ledger were necessary to reconcile to the database.

Cause:

The City's accountant did not receive grant information timely from the various departments and, thus, could not maintain the database.

Effect:

The Schedule of Expenditures of Federal Awards could be incomplete or inaccurate or the City's general ledger may not accurately reflect grant transactions.

Recommendation:

We recommend that the grant database be maintained and the revenues, expenditures and grants receivable be reconciled to the general ledger monthly.

Corrective Action:

Corrective action was taken.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:
Adverse.

Internal Control Over Financial Reporting:
Material Weaknesses identified:
Yes.
Significant Deficiencies identified not considered to be material weaknesses:
Yes.

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:
Yes.

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

There are 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
16.590	U.S. Department of Justice: Grants to Encourage Arrest
66.202	U.S. Environment Protection Agency: Stormwater Assistance 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.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2012

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 FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2012

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.

Management Response:

We have a member of our community with credentials working on a report for the fiscal year ending June 30, 2013. We believe this project will be complete by that date.

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 FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2012

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.

Management Response:

Our new software allows us to track payments of parking tickets. We believe there will be a greater level of oversight in the parking ticket process in the next audit.

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.

Management Response:

There were some invoices that did not get coded to the correct year. Our new Treasurer carefully reviews each warrant to be certain this does not recur.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2012

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.

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