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January 13, 2017

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, 2016 and have issued our report thereon dated January 13, 2017. 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.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of the 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

However, we have noted other matters during our audit as indicated in the accompanying Schedule of Recommendations that are opportunities for strengthening internal control and operating efficiency. We have discussed the recommendations with the staff during the course of fieldwork and some of the recommendations may have already been implemented.

This communication is intended solely for the information and use of management, the City Council and others within the City of Winooski, Vermont and is not intended to be and should not be used by anyone other than these specified parties. If you would like to discuss any of the recommendations further, please feel free to contact us.

We would like to take this opportunity to thank the staff of the City of Winooski, Vermont for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned above the printed name of the firm.

SULLIVAN, POWERS & CO.
Certified Public Accountants

CITY OF WINOOSKI, VERMONT
SCHEDULE OF RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

Purchasing Policy

The City's purchasing policy has not been updated to reflect Office of Management and Budget (OMB) Uniform Guidance, which is now in effect. The Uniform Guidance governs purchases made under federal and state grants and reflects different bid and small purchase limits than the City's current policy. The City should update its policy as soon as possible.

Deposit Insurance for Bank Accounts

As a governmental unit, the City of Winooski receives federal deposit insurance coverage of \$250,000 for its demand deposits (checking) and \$250,000 for its savings and money market deposits. At year end, balances in the Opportunities Credit Union money market accounts exceeded the \$250,000 limit by \$84,811. One way of providing security for the cash balances exceeding the insured amount is to obtain a collateralization agreement with the Bank.

We recommend that the City obtain a collateralization agreement with the Bank to secure deposits in excess of federal deposit insurance coverage in an amount sufficient to cover the largest cash balance during the year.

Information Technology Policy and Planning

The City does not have a formal Information Technology (IT) policy or planning process. While the City does have a policy regarding computer backups and disaster recovery, there are no formal policies regarding access, passwords, security, employee email and use of computers. Further, a formal planning process would address future IT needs and replacement of computers. Since the City does not have an IT staff, most major functions are outsourced.

A formal IT policy should be developed addressing the items listed and providing for a planning process. It may be helpful to designate an individual or committee to be responsible for IT policies and planning.

Paperless Files

The City's has begun using a paperless filing systemic (Read Soft). The City's accounting policies and procedures have not been updated to reflect this change. We recommend that they be updated as soon as possible.

CITY OF WINOOSKI, VERMONT
SCHEDULE OF RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

Fund Balance and Fund Classifications

Governmental Accounting Standards (GASB) Statement No. 54 prescribes requirements for classification of governmental fund types and fund balances. This includes whether a fund should be described as a special revenue fund. Generally, special revenue funds are only used when the proceeds of specific revenue sources are restricted or committed by outside parties.

The City's Community Center Fund is funded primarily by rent income and does not appear to meet the criteria for a Special Revenue Fund. The City should evaluate this fund and determine whether it should be an enterprise fund or be combined with the General Fund.

Also, the City should review its funds annually and determine if the fund type classification is still appropriate.