

CITY OF WINOOSKI, VERMONT

AUDIT REPORT

JUNE 30, 2016

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AUDIT REPORT
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Independent Auditor's Report

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Honorable City Council
City of Winooski
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Winooski, Vermont 05404

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 13, the budgetary comparison schedule for the General Fund, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions for the City's participation in VMERS be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

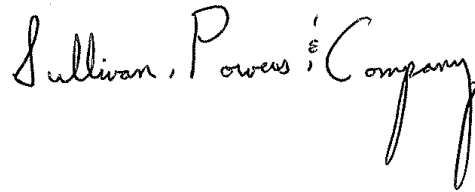
Other Information

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

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated January 13, 2017 on our consideration of the City of Winooski, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the City of Winooski, Vermont’s internal control over financial reporting and compliance.

January 13, 2017
Montpelier, Vermont
VT Lic. #92-000180

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

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Position of the City

The City continues to operate from a strong financial position. Continued conservative budgeting and forward-looking strategy is paying off. A growing interest in re-developing properties will create the means to grow our grand list. Such growth will allow us to continue to fund the operating budget in a manner that provides services at a high level and invest in the future through addressing the needs of infrastructure.

We have currently four different types of funds that track performance and are careful to avoid comingling of funding where the conditions of the revenue (grants) or the will of the voters prohibit spending from certain pools. They are:

General Fund – All operations supported primarily by taxes.

Enterprise Funds – Entities (usually buildings and infrastructure) supported by fees charges for their services. These are Water, Waste and Storm Water, and the Parking Garage. These operations do not require the use of tax revenue.

Special Revenue Funds – These activities are operated using either fees or grants and do not require tax revenue. These include the Community Development Fund, the Community Center Fund, the Asset Forfeitures Fund, the Justice Center Fund, and the JAG Fund.

Tax Increment Financing Fund – Those revenues are generated from taxes specifically from properties in the downtown in excess of what would be collected from the original properties (that remains in the General Fund tax base), 98% of the Education taxes collected from that same base, ground leases, land sales, and parking revenue in excess of the cost of the parking garage operating and maintenance needs.

We need to monitor all of these funds as the failure in any of these funds will impact the taxpayer.

General Fund

The City's General Fund generated a surplus of \$411,432 during the fiscal year. Two key elements drove that result. First, we collected \$105,586 (2%) more than budgeted in Fees, Fines, and Forfeitures this year, largely due to better than expected parking revenue. This being the first year of paid parking will provide better data for planning in future budgets and will provide solid income needed to maintain infrastructure and support programming in the downtown. These activities are vital to our continued success.

We also spent \$290,846 (4.8%) less than anticipated. Most of the savings were the result of position vacancies and a much lighter than expected need for winter operations. The positions are in the process of being filled. The most important position that remained unfilled last year is a building maintenance specialist. This is becoming increasingly important as our facilities are being used by more groups. While it is an indication of the strength of our community that groups gather to celebrate events, make decisions, practice mindfulness, or simply have coffee, it also creates the increasing need to clean and maintain our spaces.

Winter has seemed more unpredictable than in the past. We must plan for normal snowfall at a time when snowfall seems to be below normal annually.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Capital

Our City has changed in the last decade in ways that surprise and delight most of us. We also have aging infrastructure, a pool that can no longer be maintained, a City Hall and most particularly a library that are in need of modernization to meet the needs of our community. Investment in these amenities will create community resources that will, in turn, continue to make our community a great place to live.

The community must come together and decide on how to invest wisely. Creative approaches to financing some projects, including a look at public-private partnerships where the City works with developers to share the cost of building new facilities could present some mutually beneficial results.

The pool has been a significant part of Winooski summers for the better part of forty years. Joe Shaw worked miracles to keep the pool open for the past decade. We ran out of time, and the pool could not open. A group of citizens is working on a plan that will require a creative look at the new needs of our community. Summer activities have proven to help kids find healthy ways to spend long summer days. A plan will need to be finalized this year, so that a viable means of financing a replacement can be developed.

Creating a capital plan that aligns with a strategic plan around housing and transportation improvements will be necessary to continue to grow. Streets need to be maintained as they begin to age or they will be exponentially more expensive to be replaced at a later date. Coordinating major street and sidewalk repair projects with water and sewer projects is most efficient. A sidewalk plan across the City that matches street repair is critical to getting on a continuous repair or replacement cycle. Again, it is less expensive to maintain than to wait and be forced to replace.

Tax Increment Financing

The City's debt associated with the investment in downtown parking, streets, sidewalks, water, sewer, and storm water systems is under control. The district is generating enough revenue to retire the debt as scheduled. Private investment continues to be strong in the district, assuring retirement of the debt and the ability to use that revenue for needs throughout the City by 2024 or sooner.

Parking continues to provide challenges to development. A creative approach to assuring that parking is available as needed and can be paid for through revenues generated is needed. Planning is underway and must be completed so that development can continue. The City will have to partner with the developers who need parking in order to successfully finance a solution to this ongoing dilemma. This is a common concern in all growing cities and must include increased parking, shared parking, and demand management in concert to provide for a strong future built on sustainable principles.

O'Brien Community Center

The Community Center continues to be an important gathering place in the community. As needs change, the Center needs to adapt. Rents cannot cover operations, debt, and a contribution to taxes. When the Center was built, the financing proposal promised that it would generate enough revenue to pay its costs and provide the City with enough revenue to make up for the taxes lost when the building was in private hands. This has not been the case, and is not likely in the foreseeable future.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Pairing this issue with the needs of City Hall and the library may present an opportunity to resolve a number of challenges at once. As the tax increment financing district winds down and development along the main corridors begins, a plan may be possible that benefits the City. Careful financial planning is critical and should start immediately.

Enterprise Funds

Water operated within revenues and did not use fund balance (reserves) as planned. The water fund has resources to repair or replace infrastructure and will be best served by creating a plan with streets, sidewalks and other underground infrastructure in mind.

Waste and Storm Water continue to operate within generated revenues. A strong fund balance is in place to address ongoing needs. State and federal mandates could create a very expensive need to upgrade systems. It remains unclear if funding will be available to support those upgrades or if the ratepayers will bear the entire cost. This needs to be monitored carefully and resources should be maintained should they be needed.

For the Parking Fund see comments in the Tax Increment Financing District. A full year of paid parking was successful. Revenues are available to begin to determine how to meet a perceived shortfall in weekday parking. A study is underway.

Special Revenue Funds

Community Justice Center

Financing for the Community Justice Center was cut by the state during the year, resulting in a reduction of staff. After we could not find a partner agency that would be willing to share a director, a reduction was taken on the management side of the operation so that the services could continue. The remaining staff have picked up management duties and hired part time employees so that full services could continue.

The work of the Center in regards to a reparative (versus punitive) justice for low level and first time offenders and a coordinated approach to supporting people leaving the criminal justice system and returning to their community is vital to reducing the number of people needing incarceration. The City will work with state government to continue to fund programs and measure success.

Loan Funds

The City has two separate loan funds. The Home Improvement Program (HIP) funds are available to homeowners who need, but may not be able to secure funding to bring a home into compliance or to prevent erosion of value. These funds are available with financing terms that may meet the needs of certain homeowners.

The City also has funding for small businesses to use in a similar manner to support needed investment in property.

Please call the City for further information.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Statement of Net Position – All Funds

The following statement reflects the value of all of assets of the City of Winooski as of June 30, 2016. This includes cash and receivables (money we are owed for services performed or delinquent taxes), notes receivables (largely from the TIF), prepaid expenses (items or services we paid for during FY16, but have not yet received), internal balances (money held in the general fund, but belonging to other municipal funds and always equal to 0), and capital assets owned by the city. All of these values are listed on Exhibit A as Total Assets.

From these Total Assets we must deduct those values that reflect the amounts the City owes such as, Other Liabilities (Accounts payables, notes payable within one year, and other payables due from the city), plus Long-term liabilities (payable due over one year, i.e. bonds, notes over one year, and other payables based on long term commitment). These are also shown in detail on Exhibit A.

Attachment A

| | 2016 | | | 2015 | | |
|----------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| | Governmental | Business-type | Total | Governmental | Business-type | Total |
| | Activities | Activities | Government | Activities | Activities | Government |
| Current and other assets | \$7,106,727 | \$3,426,164 | \$10,532,891 | \$6,247,452 | \$3,162,599 | \$9,410,051 |
| Capital assets | 25,883,574 | 22,826,973 | 48,710,547 | 26,471,104 | 23,200,327 | 49,671,431 |
| Total assets | <u>32,990,301</u> | <u>26,253,137</u> | <u>59,243,438</u> | <u>32,718,556</u> | <u>26,362,926</u> | <u>59,081,482</u> |
| Deferred Outflows of Resources | <u>1,578,043</u> | <u>13,232</u> | <u>1,591,275</u> | <u>1,402,050</u> | <u>10,690</u> | <u>1,412,740</u> |
| Other liabilities | 2,129,737 | 213,927 | 2,343,664 | 2,079,104 | 264,841 | 2,343,945 |
| Long term liabilities | 22,184,542 | 1,626,551 | 23,811,093 | 23,028,087 | 1,484,947 | 24,513,034 |
| Total liabilities | <u>24,314,279</u> | <u>1,840,478</u> | <u>26,154,757</u> | <u>25,107,191</u> | <u>1,749,788</u> | <u>26,856,979</u> |
| Deferred Inflows of Resources | <u>38,373</u> | <u>955</u> | <u>39,328</u> | <u>285,444</u> | <u>24,481</u> | <u>309,925</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 6,105,807 | 21,739,844 | 27,845,651 | 3,443,017 | 22,269,225 | 25,712,242 |
| Restricted | 3,890,819 | 391,185 | 4,282,004 | 1,118,102 | 380,412 | 1,498,514 |
| Unrestricted | 219,066 | 2,293,907 | 2,512,973 | 4,166,852 | 1,949,710 | 6,116,562 |
| Total net position | <u>\$10,215,692</u> | <u>\$24,424,936</u> | <u>\$34,640,628</u> | <u>\$8,727,971</u> | <u>\$24,599,347</u> | <u>\$33,327,318</u> |

Attachment B represents total revenues and expenditures during FY16 as compared to FY15 for both governmental activities and proprietary funds. FY16 outcomes are also outlined on Exhibit B of this audit report along with other programs and business-type activities in a more detailed report.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

This is a summary of the statement and changes in net position – Attachment B

Attachment B

| | 2016 | | | 2015 | | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| | Governmental | Business-type | Total | Governmental | Business-type | Total |
| | Activities | Activities | Government | Activities | Activities | Government |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$2,285,237 | \$2,944,881 | \$5,230,118 | \$1,781,607 | \$2,462,871 | \$4,244,478 |
| Operating grants | 194,861 | 2,504 | 197,365 | 233,200 | 0 | 233,200 |
| Capital grants and contributions | 27,555 | 0 | 27,555 | 14,636 | 0 | 14,636 |
| General revenues: | | | | | | |
| Property taxes and penalties | 7,124,841 | 0 | 7,124,841 | 7,193,985 | 0 | 7,193,985 |
| Earnings from investments | 5,433 | 808 | 6,241 | 8,803 | 565 | 9,368 |
| Gain (loss) on sale of capital assets | 15,335 | 0 | 15,335 | (5,595) | (490) | (6,085) |
| Other | 69,592 | 0 | 69,592 | 55,027 | 0 | 55,027 |
| Total revenues | <u>9,722,854</u> | <u>2,948,193</u> | <u>12,671,047</u> | <u>9,281,663</u> | <u>2,462,946</u> | <u>11,744,609</u> |
| PROGRAM EXPENSES | | | | | | |
| General government | 1,442,272 | 0 | 1,442,272 | 1,509,606 | 0 | 1,509,606 |
| Public safety | 2,994,582 | 0 | 2,994,582 | 2,715,317 | 0 | 2,715,317 |
| Public works | 2,104,989 | 0 | 2,104,989 | 2,008,655 | 0 | 2,008,655 |
| Culture and recreation | 824,413 | 0 | 824,413 | 877,352 | 0 | 877,352 |
| Community development | 233,158 | 0 | 233,158 | 233,863 | 0 | 233,863 |
| Interest on long-term debt | 907,243 | 0 | 907,243 | 957,476 | 0 | 957,476 |
| Sewer | 0 | 1,036,038 | 1,036,038 | 0 | 982,035 | 982,035 |
| Water | 0 | 843,464 | 843,464 | 0 | 955,660 | 955,660 |
| Parking | 0 | 971,579 | 971,579 | 0 | 706,719 | 706,719 |
| Total program expenses | <u>8,506,657</u> | <u>2,851,081</u> | <u>11,357,738</u> | <u>8,302,269</u> | <u>2,644,414</u> | <u>10,946,683</u> |
| Excess revenues (expenses) | | | | | | |
| before transfers | 1,216,197 | 97,112 | 1,313,309 | 979,394 | (181,468) | 797,926 |
| Transfers | 271,523 | (271,523) | 0 | 295,282 | (295,282) | 0 |
| Change in Net Position | <u>\$1,487,720</u> | <u>(\$174,411)</u> | <u>\$1,313,309</u> | <u>\$1,274,676</u> | <u>(\$476,750)</u> | <u>\$797,926</u> |

Government-Wide FY2016 Budget Performance

This audit reflects several types of financial activities. These activities will be divided within several distinct categories, with each category outlining in brief detail the financial outcome for its operations during FY16. These results are discussed in the following pages.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The first category involves the **General Funds FY16 budget to actual** outcomes. These financial activities are financed with revenues generated from taxes, fees, charges for services, and other types of revenues to meet the budgetary expenditures for the operation of the City's annual services and programs for its citizens.

The second financial activity type contains **Program Funds**, which include programs financed through grants revenues and/or donation of varying types. Should these grant revenues cease to be available those programs supported by this type revenue stream would cease to exist or be greatly reduced or even cease to operate.

The third category is that of **Reserve Funds**, which are funds accumulated from the excess of budgetary operations over several years or from non-budgetary operations of other programs.

As a result of FY16 operations, the City's General Fund FY16 budget resulted in an operating surplus of \$411,432. This was a result of excess revenues of \$120,586 for the year while expenses fell below budget by \$290,846. Briefly the reasons are as follows:

Revenues (Over budget by \$120,586)

Property tax revenues for the operating year exceeded anticipated tax revenues by \$51,482 while charges for services also shows a large gain of \$15,433, and fines and fees exceeding their annual estimate by \$105,586. Other revenues line items show some annual totals below their anticipated revenue calculation however with the significant overages in the items previous mentioned the net outcome far exceeded the estimated budget projections for the year.

Expenses (Under budget by \$290,846)

Except for the Police Department most city departments ended the fiscal year below their projected expenses for the year. Overall total expense for 2015-16 fell below budget levels by 4.8% and with a slight revenues overage of 2.0%, the FY16 revenue to expense outcomes ended with a surplus of slightly over 6.8%.

Changes in Fund Balance

This section will address how well the city did financially as an outcome of fiscal 2016 activities. As a result of all governmental activities for major as well as non-major fund activities in FY16, the city's governmental fund balance was increased by significantly. The major reason for the increase was a combination of a large operating surplus in the FY16 TIF Fund, and a transfer from the general fund to the Community Development Loan Fund Program. This combination increased the Fund Balance governmental funds by \$470,840 overall for FY16. These separate combinations along with other transfers out of the various funds created the fund balance outcomes as shown on Exhibit D of this audit report.

Because of all fiscal operations for the General Fund major and non-major funds for fiscal year 2016, the city performed quite well. Governmental activities accounted for a fiscal year excess of \$470,840, increasing its fund balance to \$3,918,515 as of June 30, 2016. Explanation and details are shown on Exhibit D of this audit report. The fund balance is sometimes a bit complicated since the city's accounting standards are on the modified accrual basis which does not always allow for funds being available to spend in the short term. However, over the intermediate short term and the long term the city enjoys financial viability and again shows indications of a healthy financial base.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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As stated in past audits weather conditions may not always benefit the city's budget forecasts, however for FY16 a milder than average winter with minimal snow benefitted the city's public works budget as well as vacancies in public works staff positions not filled added to the operating surplus. These factors may not always be present and the City Council endeavors to budget for potential operating expenses in these areas as a matter of budgetary efficiencies each year.

Other Major and Non-Major Funds in Government-wide Activities (Exhibit D)

The remainder of the change in fund balances occurred in funds other than the General Fund. The TIF operating fund ended with a surplus of \$406,643 for FY16, due primarily to additional payments on ground lease arrears and parking revenues plus careful budget management of its operating budget for FY16. These combinations resulted in a major increase in the TIF Fund Balance ending 6/30/16 in the amount of \$886,866.

The Community Development Loan Program ended the year with an increase in its net position by \$235,135, of this \$223,355 was pledged by the City Council for small business loan fund. As of this fiscal year end the program appears in a positive financial position.

The City's Capital Reserve Fund ended FY16 with less than at the beginning of the fiscal year due to spending reserves set aside in previous years for larger projects. Because of the additional capital outlays and debt service payments the capital reserve fund ending fund balance on 6/30/16 was reduced to \$814,760.

The remaining Other Governmental Funds of a non-major category ended the year with an operating deficit of \$76,924 leaving its fund balance at \$206,068.

Overall major and non-major funds balances increased overall by \$470,840.

Understanding Transfers

A list of transfers appears in the notes to the financial statements of this audit report. There were a total of six (6) specific fund transfers that occurred during FY16. These transfers are as follows with explanations:

| <u>Item</u> | <u>Amount</u> |
|--|----------------------|
| General Fund to Capital Fund | \$172,500 |
| Assignment by Council of excess fund balance over pledged amounts. | |
| General Fund to Capital Fund | \$424,925 |

The City runs all capital expenses out of a separate fund entitled Capital Reserve Fund. These funds are approved by voters dedicated to capital, and are disbursed specifically for capital items repair and replacements as approved by council.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Fund to Community Justice Center \$ 13,368

The City must provide a match for the grant covering 10% of the cost of the program. We run the expenses in a special fund to make reporting easier and transfer the match from the Police Department at the end of the year.

TIF Downtown Fund to General Fund \$202,867

The amount of the budget representing work performed in the TIF district over and above what was needed before the project. This is allowed in Act 159 of 2000 (Winooski TIF), in Act 80 of 2013 (TIF Adjustment) and in the Rulemaking.

Parking Garage Fund to TIF Downtown Fund \$271,523

Funds required by the terms of the bond to help payments on debt service. All excess income over approved operating and capital reserves must be swept into the TIF from the Parking Garage Fund at end of year.

General Fund to Community Dev. Loan Fund \$223,355

Assigned by Council to Small Business Loan program.

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

As seen on Exhibit C of this audit, the general fund balance as of June 30, 2016 is \$1,425,610, an increase of \$6,007. There were no additional funds set aside as assigned by the Council to various other projects. The City can spend these funds in other ways or for other activities; however some funding assignments do reflect long-term commitments. Some of these remaining funds higher than the thirty-day cash on hand level may be transferred to various capital funds as approved by the Council.

Fund balance totals are a way to describe the financial health of the city and its various programs and operations. It also takes into consideration the assets and liabilities of the city and its funding sources. Given the outcomes of the fiscal year 2016 audit we believe the city is in a strong financial position, and with continuing monitoring of its financial process, strong operational management and excellent oversight by the Council, there should remain a strong and viable source of public services to City residents.

Our conclusion is that our Government-Wide Activities continues to maintain a strong financial position as evidenced by the positive outcomes of FY16. There is still some exception in that our Capital Fund continues to be underfunded and the TIF Downtown Fund is still obligated by the debt payment issues relating to existing loans from Ray Pecor and the WCDC, both of which are anticipated to be paid in full by 2024. The long-term health and financial viability of the O'Brien Community Center will need to be carefully analyzed during FY17 as to its continued economic stability and operation.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUNDS)

Business-Type Activities

The term "Business-Type Activities" refers to those activities that are known as "Proprietary Activities" or those activities that are funded through charges for services or for products and not supported by any form of government funding, i.e. taxes, governmental fees, etc. The following activities are self-funded by providing a service or product, and as such are classified as business-type activities and not governmental activities. Because of FY16 Business-Type Activities financial the following financial statements marked as Exhibit G of this audit report identify the outcomes of the three-individual business-type enterprise activities for FY16.

Revenues in Business-Type activities are derived from fees or charges for services. The Water and Sewer Departments bill for usage, while the Parking Garage charges for services based on long and short-term parking fees and daily meter collections.

WATER FUND

Net operating income as an outcome of FY16 reflects a deficit of \$546, due largely from the inclusion of depreciation expense, the loss on disposition of assets and interest expenses. (Exhibit G)

In total the net cash position of this fund was stable and the minimal deficit was acceptable.

Change in Net Position

The resulting loss of net position as stated on Exhibit G of this audit is reflective of the deficit stated above and was not impacted by any other occurrence or financial outcome in the water department for fiscal 2016.

WASTEWATER (SEWER\STORM SEWER)

Wastewater revenues in FY16 indicated near budget consistently. Actual expenditures for the fiscal year were much less than budgeted but with the inclusion of depreciation and interest expense and the addition of a small amount of interest income reflected a minimal increase in its net position.

Change in Net Position

Because of those circumstances just mentioned, the resulting increase in net position for the Wastewater Department as shown on Exhibit G reflects its net position as shown.

PARKING GARAGE

Although the Parking Garage is categorized as a "Business-Type Activity" and is a "Proprietary Activity", it is a partner in the TIF Downtown fund and as some specific rules and requirements bind such.

One of the major rules governing the Parking Garage Fund is that the fund must transfer over to the TIF Downtown Fund any realized balances over a 45-day cash on hand operating reserve plus assigned capital funds at the end of each fiscal year period.

**CITY OF WINOOSKI, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

From a prospective viewpoint, the actual revenues for FY16 were far greater than budgeted due primarily to the implementation of paid parking on street. Actual expenditures were also far greater than budgeted namely because of the inclusion of depreciation, thus when actuals for the fiscal year are calculated the results indicated an operating surplus of \$94,143. With an additional transfer, out of \$271,523 the funds net position decreased by a total of \$177,380 as shown on Exhibit G.

Change in Net Position

Because of the financial activities mentioned, the Parking Garage Fund shows a stated reduction in its Net Position for 2016 as shown on Exhibit G.

Business Activities Total

The total change in net position for Business-Wide Activities for FY16 is as follows:

| Fund | Fund Balance |
|---------------------|---------------------|
| Water | (\$ 546) |
| Sewer (Storm Water) | \$ 3,515 |
| Parking Garage | <u>(\$177,380)</u> |
| Total | <u>(\$174,411)</u> |

GASB Compliance Note

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

Capital Assets – Government Wide

Capital assets includes the original cost (in some cases estimated) of all of our buildings, fleet, land (parks), sidewalks, streets, equipment, and infrastructure improvements that were purchased for over \$3,000 and a useful life of 3 years or more, in compliance with the City's approved Capital Asset Policy. It also accounts for depreciation (basically the wear and tear of use that brings the value of the asset down) on those items.

Requests for Information

This report is designed to provide an overview of the City of Winooski's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City Treasurer, City of Winooski, 27 West Allen Street, Winooski, VT 05404.

CITY OF WINOOSKI, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 6,398,652 | \$ 466,364 | \$ 6,865,016 |
| Receivables (Net of Allowance for Uncollectibles) | 1,103,639 | 505,538 | 1,609,177 |
| Notes Receivable | 1,866,314 | 0 | 1,866,314 |
| Prepaid Expenses | 186,990 | 4,274 | 191,264 |
| Inventory | 1,120 | 0 | 1,120 |
| Internal Balances | (2,449,988) | 2,449,988 | 0 |
| Capital Assets | | | |
| Land | 2,241,446 | 647,573 | 2,889,019 |
| Other Capital Assets, (Net of Accumulated Depreciation) | 23,642,128 | 22,179,400 | 45,821,528 |
| Total Assets | <u>32,990,301</u> | <u>26,253,137</u> | <u>59,243,438</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Bond Refunding Costs, Net of Amortization | 1,135,603 | 0 | 1,135,603 |
| Deferred Outflows of Resources Related to Participation in VMERS | 442,440 | 13,232 | 455,672 |
| Total Deferred Outflows of Resources | <u>1,578,043</u> | <u>13,232</u> | <u>1,591,275</u> |
| LIABILITIES | | | |
| Accounts Payable | 221,219 | 83,447 | 304,666 |
| Accrued Payroll and Benefits Payable | 119,294 | 20,730 | 140,024 |
| Unearned Revenue | 123,632 | 109,750 | 233,382 |
| Accrued Interest Payable | 1,665,592 | 0 | 1,665,592 |
| Noncurrent Liabilities: | | | |
| Unearned Revenue | 0 | 484,866 | 484,866 |
| Net Pension Liability | 728,693 | 21,794 | 750,487 |
| Due within One Year | 1,842,620 | 161,879 | 2,004,499 |
| Due in More than One Year | 19,613,229 | 958,012 | 20,571,241 |
| Total Liabilities | <u>24,314,279</u> | <u>1,840,478</u> | <u>26,154,757</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid Property Taxes | 6,435 | 0 | 6,435 |
| Deferred Inflows of Resources Related to Participation in VMERS | 31,938 | 955 | 32,893 |
| Total Deferred Inflows of Resources | <u>38,373</u> | <u>955</u> | <u>39,328</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 6,105,807 | 21,739,844 | 27,845,651 |
| Restricted For: | | | |
| Downtown Project and Debt Service | 2,937,976 | 0 | 2,937,976 |
| Community Development | 951,525 | 0 | 951,525 |
| Public Safety | 1,318 | 0 | 1,318 |
| Sewer Expansion | 0 | 391,185 | 391,185 |
| Unrestricted | 219,066 | 2,293,907 | 2,512,973 |
| Total Net Position | <u>\$ 10,215,692</u> | <u>\$ 24,424,936</u> | <u>\$ 34,640,628</u> |

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Functions/Programs: | | | | | | | |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 1,442,272 | \$ 377,228 | \$ 0 | \$ 0 | \$ (1,065,044) | \$ 0 | \$ (1,065,044) |
| Public Safety | 2,994,582 | 313,974 | 159,319 | 14,996 | (2,506,293) | 0 | (2,506,293) |
| Public Works | 2,104,989 | 83,530 | 0 | 4,759 | (2,016,700) | 0 | (2,016,700) |
| Culture and Recreation | 824,413 | 465,114 | 35,542 | 7,800 | (315,957) | 0 | (315,957) |
| Community Development | 233,158 | 1,045,391 | 0 | 0 | 812,233 | 0 | 812,233 |
| Interest on Long-term Debt | 907,243 | 0 | 0 | 0 | (907,243) | 0 | (907,243) |
| Total Governmental Activities | 8,506,657 | 2,285,237 | 194,861 | 27,555 | (5,999,004) | 0 | (5,999,004) |
| Business-Type Activities: | | | | | | | |
| Water | 843,464 | 840,270 | 2,504 | 0 | 0 | (690) | (690) |
| Sewer | 1,036,038 | 1,038,889 | 0 | 0 | 0 | 2,851 | 2,851 |
| Parking | 971,579 | 1,065,722 | 0 | 0 | 0 | 94,143 | 94,143 |
| Total Business-Type Activities | 2,851,081 | 2,944,881 | 2,504 | 0 | 0 | 96,304 | 96,304 |
| Total Primary Government | \$ 11,357,738 | \$ 5,230,118 | \$ 197,365 | \$ 27,555 | (5,999,004) | 96,304 | (5,902,700) |
| General Revenues and Transfers: | | | | | | | |
| Property Taxes | | | | | 7,104,460 | 0 | 7,104,460 |
| Interest and Penalties on Delinquent Taxes | | | | | 20,381 | 0 | 20,381 |
| Unrestricted Investment Earnings | | | | | 5,433 | 808 | 6,241 |
| Other Revenues | | | | | 69,592 | 0 | 69,592 |
| Gain/(Loss) on Disposal/Sale of Assets | | | | | 15,335 | 0 | 15,335 |
| Interfund Transfers | | | | | 271,523 | (271,523) | 0 |
| Total General Revenues and Transfers | | | | | 7,486,724 | (270,715) | 7,216,009 |
| Change in Net Position | | | | | 1,487,720 | (174,411) | 1,313,309 |
| Net Position - July 1, 2015 | | | | | 8,727,972 | 24,599,347 | 33,327,319 |
| Net Position - June 30, 2016 | | | | | \$ 10,215,692 | \$ 24,424,936 | \$ 34,640,628 |

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

CITY OF WINOOSKI, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

| | Major Funds | | | | Nonmajor Funds | Total |
|---|---------------------|-------------------------|---------------------------------------|---------------------------------|--------------------------------|----------------------|
| | General Fund | TIF Downtown Fund | Community Development Loan Fund | City Capital Reserve Fund | Other Governmental Funds | |
| <u>ASSETS</u> | | | | | | |
| Cash | \$ 4,903,378 | \$ 909,699 | \$ 584,811 | \$ 0 | \$ 764 | \$ 6,398,652 |
| Receivables (Net of Allowance for Uncollectibles) | 413,394 | 585,677 | 0 | 6,213 | 98,355 | 1,103,639 |
| Prepaid Expenses | 186,990 | 0 | 0 | 0 | 0 | 186,990 |
| Inventory | 1,120 | 0 | 0 | 0 | 0 | 1,120 |
| Due from Other Funds | 0 | 0 | 400 | 860,040 | 275,895 | 1,136,335 |
| Notes Receivable (Net of Allowance) | 0 | 1,500,000 | 366,314 | 0 | 0 | 1,866,314 |
| TOTAL ASSETS | \$ 5,504,882 | \$ 2,995,376 | \$ 951,525 | \$ 866,253 | \$ 375,014 | \$ 10,693,050 |
| <u>LIABILITIES</u> | | | | | | |
| Accounts Payable | \$ 137,651 | \$ 1,561 | \$ 0 | \$ 51,493 | \$ 30,514 | \$ 221,219 |
| Accrued Payroll and Payroll Taxes | 116,867 | 0 | 0 | 0 | 2,427 | 119,294 |
| Due to Other Funds | 3,520,463 | 55,839 | 0 | 0 | 10,021 | 3,586,323 |
| Unearned Revenue | 5,448 | 0 | 0 | 0 | 118,184 | 123,632 |
| Total Liabilities | 3,780,429 | 57,400 | 0 | 51,493 | 161,146 | 4,050,468 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | | |
| Prepaid Property Taxes | 6,435 | 0 | 0 | 0 | 0 | 6,435 |
| Unavailable Property Taxes, Penalties and Interest | 98,054 | 0 | 0 | 0 | 0 | 98,054 |
| Unavailable Receivables | 160,475 | 2,051,110 | 366,314 | 0 | 0 | 2,577,899 |
| Unavailable Grant Revenue | 33,879 | 0 | 0 | 0 | 7,800 | 41,679 |
| Total Deferred Inflows of Resources | 298,843 | 2,051,110 | 366,314 | 0 | 7,800 | 2,724,067 |
| <u>FUND BALANCES</u> | | | | | | |
| Nonspendable | 188,110 | 0 | 0 | 0 | 0 | 188,110 |
| Restricted | 0 | 886,866 | 585,211 | 0 | 1,318 | 1,473,395 |
| Assigned | 475,777 | 0 | 0 | 814,760 | 204,750 | 1,495,287 |
| Unassigned | 761,723 | 0 | 0 | 0 | 0 | 761,723 |
| Total Fund Balances | 1,425,610 | 886,866 | 585,211 | 814,760 | 206,068 | 3,918,515 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 5,504,882 | \$ 2,995,376 | \$ 951,525 | \$ 866,253 | \$ 375,014 | |

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

| | |
|--|----------------------|
| Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds. | 25,883,574 |
| Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Funds. | 2,717,632 |
| Deferred Outflows and Inflows of Resources Related to the City's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds | 410,502 |
| Unamortized Bond Refunding Costs are not Financial Resources and Therefore, are not Reported in the Funds | 1,135,603 |
| Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds. | (23,850,134) |
| Net Position of Governmental Activities | \$ 10,215,692 |

CITY OF WINOOSKI, VERMONT
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Major Funds | | | | Nonmajor Funds | Total |
|--|------------------|-------------------------|---------------------------------------|---------------------------------|--------------------------------|------------------|
| | General Fund | TIF Downtown Fund | Community Development Loan Fund | City Capital Reserve Fund | Other Governmental Funds | |
| Revenue: | | | | | | |
| Property Taxes/PILOT | \$ 5,165,463 | \$ 1,959,378 | \$ 0 | \$ 0 | \$ 0 | \$ 7,124,841 |
| Charges for Services | 421,272 | 0 | 0 | 0 | 0 | 421,272 |
| Investment Income | 5,433 | 75,637 | 2,065 | 0 | 0 | 83,135 |
| Intergovernmental | 79,023 | 0 | 0 | 28,132 | 129,570 | 236,725 |
| Fees, Fines and Forfeits | 410,027 | 0 | 0 | 0 | 0 | 410,027 |
| Rent & Lease Income | 0 | 952,015 | 0 | 0 | 285,464 | 1,237,479 |
| Licenses & Permits | 17,245 | 0 | 0 | 0 | 0 | 17,245 |
| Donations | 18,886 | 0 | 0 | 0 | 1,110 | 19,996 |
| Loan Repayments | 0 | 0 | 10,915 | 0 | 0 | 10,915 |
| Other | 197,249 | 4,759 | 0 | 44,372 | 966 | 247,346 |
| Total Revenue | 6,314,598 | 2,991,789 | 12,980 | 72,504 | 417,110 | 9,808,981 |
| Expenditures: | | | | | | |
| General Government | 1,022,114 | 45,984 | 0 | 0 | 0 | 1,068,098 |
| Public Safety | 1,971,661 | 0 | 0 | 0 | 146,381 | 2,118,042 |
| Public Works | 425,544 | 0 | 0 | 159,887 | 0 | 585,431 |
| Culture & Recreation | 560,276 | 0 | 0 | 0 | 0 | 560,276 |
| Public Buildings & Facilities | 351,515 | 0 | 0 | 99,405 | 162,006 | 612,926 |
| Employee Benefits | 1,104,708 | 0 | 0 | 0 | 0 | 1,104,708 |
| Regional Programs | 231,778 | 0 | 0 | 0 | 0 | 231,778 |
| Community Development | 0 | 231,958 | 1,200 | 0 | 0 | 233,158 |
| Capital Outlay: | | | | | | |
| Public Safety | 9,714 | 0 | 0 | 104,004 | 4,975 | 118,693 |
| Public Works | 144,513 | 0 | 0 | 255,172 | 0 | 399,685 |
| Public Buildings & Facilities | 0 | 0 | 0 | 49,920 | 19,700 | 69,620 |
| Debt Service: | | | | | | |
| Bond and Note Principal | 0 | 1,560,086 | 0 | 177,563 | 110,000 | 1,847,649 |
| Interest | 0 | 815,774 | 0 | 46,231 | 64,340 | 926,345 |
| Total Expenditures | 5,821,823 | 2,653,802 | 1,200 | 892,182 | 507,402 | 9,876,409 |
| Excess/(Deficiency) of Revenue Over Expenditures | 492,775 | 337,987 | 11,780 | (819,678) | (90,292) | (67,428) |
| Other Financing Sources/(Uses): | | | | | | |
| Proceeds of Long-Term Debt | 144,513 | 0 | 0 | 122,232 | 0 | 266,745 |
| Transfers In | 202,867 | 271,523 | 223,355 | 597,425 | 13,368 | 1,308,538 |
| Transfers Out | (834,148) | (202,867) | 0 | 0 | 0 | (1,037,015) |
| Total Other Financing Sources/(Uses) | (486,768) | 68,656 | 223,355 | 719,657 | 13,368 | 538,268 |
| Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing/(Uses) | 6,007 | 406,643 | 235,135 | (100,021) | (76,924) | 470,840 |
| Fund Balances - July 1, 2015 | 1,419,603 | 480,223 | 350,076 | 914,781 | 282,992 | 3,447,675 |
| Fund Balances - June 30, 2016 | \$ 1,425,610 | \$ 886,866 | \$ 585,211 | \$ 814,760 | \$ 206,068 | \$ 3,918,515 |

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

CITY OF WINOOSKI, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

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

| | | |
|---|----|-------------------------|
| Net change in fund balances - total government funds (Exhibit D) | \$ | 470,840 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$587,997) is allocated over their estimated useful lives and reported as depreciation expense (\$1,156,335). This is the amount by which depreciation expense exceeded capital outlays in the current period. | | (568,338) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, loss on disposals and donations) is to increase net position. | | (19,192) |
| Governmental funds report bond refunding costs as expenditures in the year in which they occur. However, in the Statement of Activities, these costs are recorded as deferred outflows of resources and recognized over the life of the new debt issuance. | | (141,950) |
| The issuance of long-term debt (\$266,745) (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$1,854,962) consumes the current financial resources of governmental funds. Neither transaction, however; has any effect on net position. The amount is the net effect of these differences in the treatment of long-term debt and related items | | 1,588,217 |
| Governmental funds report employer pension contributions as expenditures (\$125,039). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$203,269) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense | | (78,230) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount reflects the decrease of unavailable revenue over last year. | | 91,300 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | <u>145,073</u> |
| Change in net position of governmental activities (Exhibit B) | \$ | <u><u>1,487,720</u></u> |

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

| | Water Fund | Sewer Fund | Parking Fund | Total |
|--|---------------------|---------------------|----------------------|----------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 97,648 | \$ 368,716 | \$ 0 | \$ 466,364 |
| Receivables (Net of Allowance for Uncollectibles) | 224,858 | 274,905 | 5,775 | 505,538 |
| Due from Other Funds | 391,418 | 1,128,378 | 930,192 | 2,449,988 |
| Prepaid Expenses | 0 | 0 | 4,274 | 4,274 |
| Total Current Assets | 713,924 | 1,771,999 | 940,241 | 3,426,164 |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Land | 0 | 77,604 | 569,969 | 647,573 |
| Machinery and Equipment | 418,387 | 970,827 | 414,964 | 1,804,178 |
| Buildings, Distribution/Collection Systems & Improvements | 5,179,889 | 12,797,896 | 15,276,752 | 33,254,537 |
| Less: Accumulated Depreciation | (2,212,119) | (7,093,830) | (3,573,366) | (12,879,315) |
| Total Noncurrent Assets | 3,386,157 | 6,752,497 | 12,688,319 | 22,826,973 |
| Total Assets | 4,100,081 | 8,524,496 | 13,628,560 | 26,253,137 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows of Resources Related to Participation in VMERS | 1,437 | 3,787 | 8,008 | 13,232 |
| Total Deferred Outflows of Resources | 1,437 | 3,787 | 8,008 | 13,232 |
| Total Assets and Deferred Outflows of Resources | \$ 4,101,518 | \$ 8,528,283 | \$ 13,636,568 | \$ 26,266,369 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ 41,679 | \$ 28,256 | \$ 13,512 | \$ 83,447 |
| Accrued Payroll and Benefits Payable | 6,812 | 8,152 | 5,766 | 20,730 |
| Unearned Revenue - Current Portion | 0 | 0 | 109,750 | 109,750 |
| Bonds and Capital Leases Payable - Current Portion | 35,751 | 116,648 | 0 | 152,399 |
| Due to Champlain Water District - Current Portion | 9,480 | 0 | 0 | 9,480 |
| Total Current Liabilities | 93,722 | 153,056 | 129,028 | 375,806 |
| Noncurrent Liabilities: | | | | |
| Compensated Absences Payable | 11,607 | 14,440 | 6,714 | 32,761 |
| Net Pension Liability | 2,367 | 6,238 | 13,189 | 21,794 |
| Unearned Revenue - Noncurrent Portion | 0 | 0 | 484,866 | 484,866 |
| Bonds and Capital Leases Payable - Noncurrent Portion | 281,769 | 475,100 | 0 | 756,869 |
| Due to Champlain Water District - Noncurrent Portion | 168,382 | 0 | 0 | 168,382 |
| Total Noncurrent Liabilities | 464,125 | 495,778 | 504,769 | 1,464,672 |
| Total Liabilities | 557,847 | 648,834 | 633,797 | 1,840,478 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows of Resources Related to Participation in VMERS | 104 | 273 | 578 | 955 |
| Total Deferred Inflows of Resources | 104 | 273 | 578 | 955 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 2,890,775 | 6,160,750 | 12,688,319 | 21,739,844 |
| Restricted for Sewer Improvements | 0 | 391,185 | 0 | 391,185 |
| Unrestricted | 652,792 | 1,327,241 | 313,874 | 2,293,907 |
| Total Net Position | 3,543,567 | 7,879,176 | 13,002,193 | 24,424,936 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 4,101,518 | \$ 8,528,283 | \$ 13,636,568 | \$ 26,266,369 |

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Water Fund | Sewer Fund | Parking Fund | Total |
|--|---------------------|---------------------|----------------------|----------------------|
| Operating Revenues: | | | | |
| Charges for Service | \$ 842,774 | \$ 1,038,889 | \$ 1,065,722 | \$ 2,947,385 |
| Total Operating Revenues | <u>842,774</u> | <u>1,038,889</u> | <u>1,065,722</u> | <u>2,947,385</u> |
| Operating Expenses: | | | | |
| Salaries and Benefits | 199,827 | 320,021 | 138,716 | 658,564 |
| Water Purchases | 370,522 | 0 | 0 | 370,522 |
| Purchased Services | 51,901 | 205,944 | 20,049 | 277,894 |
| Repairs and Maintenance | 34,748 | 67,985 | 154,653 | 257,386 |
| Electricity and Fuel | 3,411 | 51,450 | 27,919 | 82,780 |
| Administration | 38,865 | 30,669 | 77,218 | 146,752 |
| Other | 5,374 | 52,103 | 197,088 | 254,565 |
| Depreciation | 120,182 | 292,375 | 353,935 | 766,492 |
| Total Operating Expenses | <u>824,830</u> | <u>1,020,547</u> | <u>969,578</u> | <u>2,814,955</u> |
| Operating Income | <u>17,944</u> | <u>18,342</u> | <u>96,144</u> | <u>132,430</u> |
| Non-Operating Revenues/(Expenses): | | | | |
| Loss on Disposition of Capital Assets | (5,935) | (5,935) | 0 | (11,870) |
| Investment Income | 144 | 664 | 0 | 808 |
| Interest Expense | (12,699) | (9,556) | (2,001) | (24,256) |
| Total Non-Operating Revenues/(Expenses) | <u>(18,490)</u> | <u>(14,827)</u> | <u>(2,001)</u> | <u>(35,318)</u> |
| Net Income Before Capital Contributions and Transfers | (546) | 3,515 | 94,143 | 97,112 |
| Transfers Out | <u>0</u> | <u>0</u> | <u>(271,523)</u> | <u>(271,523)</u> |
| Change in Net Position | (546) | 3,515 | (177,380) | (174,411) |
| Net Position - July 1, 2015 | <u>3,544,113</u> | <u>7,875,661</u> | <u>13,179,573</u> | <u>24,599,347</u> |
| Net Position - June 30, 2016 | <u>\$ 3,543,567</u> | <u>\$ 7,879,176</u> | <u>\$ 13,002,193</u> | <u>\$ 24,424,936</u> |

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

CITY OF WINOOSKI, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Water Fund | Sewer Fund | Parking Fund | Total |
|--|-------------------|-------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from Customers and Users | \$ 818,626 | \$ 1,019,820 | \$ 989,724 | \$ 2,828,170 |
| Payments for Goods and Services | (452,812) | (405,037) | (396,700) | (1,254,549) |
| Payments for Wages and Benefits | (210,313) | (308,946) | (146,265) | (665,524) |
| Paid to General Fund - Administration | (38,865) | (30,669) | (77,218) | (146,752) |
| Net Cash Provided by Operating Activities | <u>116,636</u> | <u>275,168</u> | <u>369,541</u> | <u>761,345</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Decrease/(Increase) in Due from Other Funds | <u>(75,285)</u> | <u>(281,104)</u> | <u>(10,336)</u> | <u>(366,725)</u> |
| Net Cash Provided/(Used) by Noncapital Financing Activities | <u>(75,285)</u> | <u>(281,104)</u> | <u>(10,336)</u> | <u>(366,725)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and Construction of Capital Assets | (195,312) | (137,347) | (85,681) | (418,340) |
| Proceeds from Sales of Capital Assets | 6,667 | 6,666 | 0 | 13,333 |
| Proceeds of Long-Term Debt | 190,283 | 97,741 | 0 | 288,024 |
| Transfers to Other Funds | 0 | 0 | (271,523) | (271,523) |
| Principal Paid | (30,290) | (101,706) | 0 | (131,996) |
| Interest Paid | (12,699) | (9,556) | (2,001) | (24,256) |
| Net Cash Provided/(Used) by Capital and Related Financing Activities | <u>(41,351)</u> | <u>(144,202)</u> | <u>(359,205)</u> | <u>(544,758)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipt of Interest & Dividends | <u>144</u> | <u>664</u> | <u>0</u> | <u>808</u> |
| Net Cash Provided by Investing Activities | <u>144</u> | <u>664</u> | <u>0</u> | <u>808</u> |
| Net Increase/(Decrease) in Cash | 144 | (149,474) | 0 | (149,330) |
| Cash - July 1, 2015 | <u>97,504</u> | <u>518,190</u> | <u>0</u> | <u>615,694</u> |
| Cash - June 30, 2016 | <u>\$ 97,648</u> | <u>\$ 368,716</u> | <u>\$ 0</u> | <u>\$ 466,364</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Operating Income | 17,944 | 18,342 | 96,144 | 132,430 |
| Depreciation | 120,182 | 292,375 | 353,935 | 766,492 |
| (Increase)/Decrease in Receivables | (24,148) | (19,069) | (5,541) | (48,758) |
| (Increase)/Decrease in Prepaid Expenses | 1,920 | 446 | 222 | 2,588 |
| Increase/(Decrease) in Accounts Payable | 11,224 | (28,001) | 2,787 | (13,990) |
| Increase/(Decrease) in Accrued Payroll | (4,451) | 3,975 | (6,497) | (6,973) |
| Increase/(Decrease) in Unearned Revenue | 0 | 0 | (70,457) | (70,457) |
| Increase/(Decrease) in Net Pension Liability and Related Deferrals | (6,619) | (45) | (4,425) | (11,089) |
| Increase/(Decrease) in Compensated Absences Payable | 584 | 7,145 | 3,373 | 11,102 |
| Net Cash Provided by Operating Activities | <u>\$ 116,636</u> | <u>\$ 275,168</u> | <u>\$ 369,541</u> | <u>\$ 761,345</u> |
| Schedule of Non-Cash Capital and Related Financing Activities: | | | | |
| Assets Disposed | | | | |
| Cost | \$ 26,549 | \$ 47,879 | \$ 0 | 74,428 |
| Accumulated Depreciation | (13,948) | (35,276) | 0 | (49,224) |
| | <u>\$ 12,601</u> | <u>\$ 12,603</u> | <u>\$ 0</u> | <u>\$ 25,204</u> |

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The City reports on the following major governmental funds:

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

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

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

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

The City reports on the following major enterprise funds:

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

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

Parking Fund – This accounts for operations of the City parking infrastructure.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

E. Use of Estimates

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

F. Assets, Liabilities and Equity

1. Cash

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

2. Investments

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

3. Receivables

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

4. Internal Balances

Activity between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "Advances to/from Other Funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Cash balances deposited and invested by the Treasurer in a combined cash account are reported as "Due to/from Other Funds".

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

5. Inventories and Prepaid Expenses

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

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

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

6. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. The City has capitalized \$9,712 of interest in the proprietary funds in prior fiscal years. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The City has elected to report major general infrastructure assets retroactively.

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

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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

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

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

7. Deferred Inflows/Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City has two items that meet this classification under the accrual basis of accounting. The first is the deferral of pension expense related to the City’s participation in the Vermont Municipal Employees’ Retirement System (VMERS) and the second is bond refunding costs to be recognized over the original bond period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item deferred inflows of resources is reported in the statement of net position and governmental funds balance sheet. The statement of net position reports deferred inflows of resources from two sources; prepaid property taxes and deferred inflows of resources related to the City’s participation in VMERS. The governmental funds balance sheet reports deferred inflows of resources from four sources; prepaid property taxes, unavailable property taxes, penalties and interest, unavailable receivables and unavailable grants receivable. These amounts are deferred and recognized as an inflow of resources in the future periods to which the amounts are related or when the amounts become available.

8. Compensated Absences

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

9. Pensions

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

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows and inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) pension plan and additions to or deductions from the VMERS' fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Long-term Liabilities

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

11. Fund Equity

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

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. Annually in December, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City Council adopts the budget.
4. The budget is presented to the voters for approval at the March annual City meeting.
5. The City Manager is authorized to transfer budgeted amounts within each function. In fiscal year 2016, the City Manager authorized a budget transfer within the Administrative Department to cover the legal costs associated with the F-35 lawsuit, Community Services to cover a change in the Americorps State and VISTA staff, and the Pool to cover alternative activities being offered to the community in lieu of the pool opening. Any revisions that alter the total budgeted amounts of any function must be approved by the City Council. In fiscal year 2016, Council approved no budget transfers.

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

6. The budget presented herein is for the City’s “General Fund” only and does not include the Reimbursables Fund, the City Operating Reserve Fund, the Fire Hazmat Fund, the Community Service Program Fund and the Community Development Capital Reserve Fund activity that is included with the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash

The City’s cash as of June 30, 2016 consisted of the following:

Cash:

| | | |
|----------------------------------|----|-------------------------|
| Cash on Hand | \$ | 1,904 |
| Cash with Financial Institutions | | <u>6,863,112</u> |
| Total Cash | | <u>\$ 6,865,016</u> |

Custodial Credit Risk

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

| | <u>Book Balance</u> | <u>Bank Balance</u> |
|---|-------------------------|-------------------------|
| FDIC/SIPC Insured | \$ 1,391,562 | \$ 1,253,024 |
| Insured by Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh | 5,379,811 | 5,651,310 |
| Uninsured Uncollateralized | <u>91,739</u> | <u>6,928</u> |
| Total Cash Deposits | <u>\$ 6,863,112</u> | <u>\$ 6,911,262</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, 2016

B. Receivables

Receivables at June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows.

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Delinquent Taxes | \$ 127,413 | \$ - | \$ 127,413 |
| Penalties and Interest | 20,018 | - | 20,018 |
| Billed Services | 757,237 | 14,739 | 771,976 |
| Unbilled Services | 1,984 | 479,432 | 481,416 |
| Grants | 134,979 | 2,504 | 137,483 |
| Aid in Expansion Fees | - | 116,811 | 116,811 |
| Parking Tickets | 165,308 | - | 165,308 |
| Other | 8,113 | 57,993 | 66,106 |
| Allowance for Doubtful Accounts | (111,413) | (165,941) | (277,354) |
| | <u>\$ 1,103,639</u> | <u>\$ 505,538</u> | <u>\$ 1,609,177</u> |

C. Loans and Notes Receivable

Loans, with a balance of \$42,451, were issued by the City's H.I.P. Program to qualifying residents for improvements to property at interest rates ranging from three (3%) to nine (9%) percent. These loans will be paid back in one (1) to twenty (20) years and re-loaned to new qualifying applicants. The City believes the loans are collectible as all are being repaid.

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

The City has a \$1,500,000 note receivable from HK Central Block Limited Partnership. This note is secured by real estate and is to assist in building affordable housing in Winooski. The source of the money for the loan was from a Federal grant. Interest is at 0% and the note is due December 31, 2035. The City believes the loan is collectible and has discounted it to the present value of \$323,863 at June 30, 2016 using a 5% discount rate.

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

The City has a \$1,500,000 note receivable from HK Central Block Limited Partnership due from the sale of land in the Downtown District known as Lot 5. The sale price was \$2,500,000 and the City received \$500,000 at closing. The City received an additional \$500,000 payment on this note on June 16, 2009. The terms of the note require the remaining \$1,500,000 to be repaid over twenty (20) years beginning in 2020. Until then, there are only annual payments of interest at 5%. Interest received in 2016 amounted to \$75,000. The note is secured by a second mortgage on the entire Barlow Square condominium. The City believes this loan is collectible.

D. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|-----------|-------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 2,241,446 | \$ 0 | \$ 0 | \$ 2,241,446 |
| Total Capital Assets Not Being Depreciated | 2,241,446 | 0 | 0 | 2,241,446 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Building Improvements | 6,488,258 | 30,485 | 0 | 6,518,743 |
| Vehicles, Machinery and Equipment | 2,949,367 | 427,370 | 219,549 | 3,157,188 |
| Infrastructure | 33,058,923 | 130,142 | 0 | 33,189,065 |
| | 42,496,548 | 587,997 | 219,549 | 42,864,996 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Building Improvements | 2,263,219 | 223,835 | 0 | 2,487,054 |
| Vehicles, Machinery and Equipment | 2,031,843 | 163,740 | 200,357 | 1,995,226 |
| Infrastructure | 13,971,828 | 768,760 | 0 | 14,740,588 |
| Totals | 18,266,890 | 1,156,335 | 200,357 | 19,222,868 |
| Total Capital Assets Being Depreciated | 24,229,658 | (568,338) | 19,192 | 23,642,128 |
| Governmental Activities Capital Assets, Net | \$ 26,471,104 | \$ (568,338) | \$ 19,192 | \$ 25,883,574 |

CITY OF WINOOSKI, VERMONT
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JUNE 30, 2016

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|-----------|-------------------|
| Business-Type Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 647,573 | \$ 0 | \$ 0 | \$ 647,573 |
| Total Capital Assets Not Being Depreciated | 647,573 | 0 | 0 | 647,573 |
| Capital Assets, Being Depreciated: | | | | |
| Parking Garage | 15,276,752 | 0 | 0 | 15,276,752 |
| Buildings, Distribution and Collection System & Improvements | 17,899,058 | 100,056 | 21,329 | 17,977,785 |
| Vehicles, Machinery and Equipment | 1,538,991 | 318,286 | 53,099 | 1,804,178 |
| Total Capital Assets Being Depreciated | 34,714,801 | 418,342 | 74,428 | 35,058,715 |
| Less Accumulated Depreciation For: | | | | |
| Parking Garage | 3,082,503 | 313,937 | 0 | 3,396,440 |
| Buildings, Distribution and Collection System & Improvements | 8,398,207 | 325,305 | 21,329 | 8,702,183 |
| Vehicles, Machinery and Equipment | 681,337 | 127,250 | 27,895 | 780,692 |
| Totals | 12,162,047 | 766,492 | 49,224 | 12,879,315 |
| Total Capital Assets Being Depreciated | 22,552,754 | (348,150) | 25,204 | 22,179,400 |
| Business Type Activities Capital Assets, Net | \$ 23,200,327 | \$ (348,150) | \$ 25,204 | \$ 22,826,973 |

Depreciation was charged as follows:

| Governmental Activities: | | Business-Type Activities: | |
|--|--------------|--|------------|
| Public Safety | \$ 105,864 | Water | \$ 120,182 |
| Public Works | 832,553 | Sewer | 292,375 |
| Culture and Recreation | 217,918 | Parking | 353,935 |
| Total Depreciation Expense Governmental Activities | \$ 1,156,335 | Total Depreciation Expense - Business- Type Activities | \$ 766,492 |

CITY OF WINOOSKI, VERMONT
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E. Interfund Balances and Activity

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

| | Interfund Receivables | Interfund Payables |
|---------------------------------|--------------------------|-----------------------|
| General Fund | \$ 0 | \$ 3,520,463 |
| TIF Downtown Fund | 0 | 55,839 |
| Community Development Loan Fund | 400 | 0 |
| City Capital Reserve Fund | 860,040 | 0 |
| Community Center Fund | 229,938 | 0 |
| Justice Center Fund | 45,911 | 0 |
| Asset Forfeitures Fund | 46 | 0 |
| JAG Fund | 0 | 10,021 |
| Water Fund | 391,418 | 0 |
| Sewer Fund | 1,128,378 | 0 |
| Parking Garage Fund | 930,192 | 0 |
| Total | \$ 3,586,323 | \$ 3,586,323 |

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

| From | To | Amount | Purpose |
|---------------------|---------------------------------|--------------|--|
| General Fund | City Capital Reserve Fund | \$ 597,425 | Capital Plan and Assignment of Balances by Council |
| General Fund | Justice Center Fund | 13,368 | Local match for Justice Center Grant |
| General Fund | Community Development Loan Fund | 223,355 | Assignment of Reserves by Council to Small Business Loan Program |
| TIF Downtown Fund | General Fund | 202,867 | To offset additional operating costs due to TIF development |
| Parking Garage Fund | TIF Downtown Fund | 271,523 | Contribution toward debt owed per bond covenant |
| | | \$ 1,308,538 | |

F. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue in the Governmental Activities and the Governmental Funds consists of \$118,184 of grant revenue received in advance and \$5,448 of various program fees received in advance. The revenue will be recognized as expenses are incurred on the grants and services are provided. Total unearned revenue in the Governmental Activities and the Governmental Funds is \$123,632.

Unearned revenue in the Business-Type Activities and the Parking Garage Fund consists of \$594,616 of parking fees received in advance of which \$109,750 will be recognized in fiscal year 2017. The revenue will be recognized as parking and other services are provided.

CITY OF WINOOSKI, VERMONT
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Deferred inflows of resources in the General Fund consists of \$6,435 of prepaid property taxes as well as \$98,054 of delinquent property taxes, penalties and interest on those taxes and \$194,354 in receivables that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the General Fund are \$298,843.

Deferred inflows of resources in the TIF Downtown Fund consists of \$2,051,110 of receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Community Development Loan Fund consists of \$366,314 in notes receivable not collected with sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Other Governmental Funds consists of \$7,800 of grants receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

G. Long-term Liabilities

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds generally are issued as 10 to 20 year bonds.

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

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

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

CITY OF WINOOSKI, VERMONT
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Compensated Absences - It is the policy of the City to permit employees to accumulate vacation, comp-time and sick leave time, the value of which will be paid at their current rate of pay upon retirement, termination or death. The accrual for compensated absences, based on current rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Other Post-Employment Benefits - The City offers retired employees single coverage health insurance provided the employee has reached age 62 and their years of service plus their age equals 100. The benefit ends at age 65. The estimated liability is based on one employee who will likely receive benefits in the near future. The amount due within one year is the City's expected liability for 2016 for the anticipated benefits payable in the next five years.

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

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending</u> <u>Balance</u> |
|--|------------------------------------|------------------|------------------|---------------------------------|
| <u>Governmental Activities:</u> | | | | |
| Bond Payable - Vermont Municipal Bond Bank, Street, Reconstruction, \$10,000 Due Annually Until December 2012 and \$5,000 Due Annually Until December 2016, 5.1% Interest | \$ 10,000 | \$ 0 | \$ 5,000 | \$ 5,000 |
| Lease Payable – Key Bank, Dump Truck with Plow and Sidewalk Plow, Interest at 3.39%, \$34,758 of Principal and Interest Due Annually | 33,619 | 0 | 33,619 | 0 |
| Downtown Project, Series 2014A, Payable To TD Bank, N.A., Monthly payments of \$163,695 beginning July 1, 2014 inclusive of interest and principal through 2024, 2.79% Interest; This Bond will be Repaid from the Revenues of the Tax Increment Financing (TIF) District | 15,498,958 | 0 | 1,560,087 | 13,938,871 |

CITY OF WINOOSKI, VERMONT
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 JUNE 30, 2016

| | <u>Beginning</u> | | | | <u>Ending</u> |
|---|------------------|------------------|------------------|------|----------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | | <u>Balance</u> |
| <p>Subordinate Special Obligation Tax Increment Financing Note, Series 2004B, Payable to Winooski Community Development Trust (the Mayor and City Council are Trustees of the Trust), Downtown Land Purchase, Interest at 5.0% Beginning July 1, 2005, Payable Semi-Annually, However, the City has the Option not to Pay the Interest Payments, and has Executed this Option, but Interest shall Accrue without Additional Interest, Principal and Interest Payments of \$70,434 Due Semi-Annually Beginning July 1, 2014 through July 1, 2024. Non-payment of principal does not result in default or acceleration of the loan but triggers interest rates of 6% beginning January 1, 2014 and 7% beginning January 1, 2016. Unpaid Accrued Interest is Estimated to be \$702,720 at June 30, 2016. The Payment of this Note is Subordinate to the Payment in Full of the Special Obligation Refunding Bonds and the Pecor Note. This Note will be Repaid from the Revenues of the Tax Increment Financing District</p> | \$ 1,098,000 | \$ 0 | \$ 0 | \$ 0 | \$ 1,098,000 |
| <p>Subordinate Special Obligation Tax Increment Financing Note, Series 2004A, Payable to Raymond Pecor, III and Stacey Pecor, Downtown Land Purchase, Interest at 5.0% Beginning July 1, 2005, Payable Semi-Annually, City has the Option not to Pay the Interest Payments, and has Executed this Option, but Interest shall Accrue Without Additional Interest, Payments of \$201,647 Due Semi-Annually Beginning July 1, 2014 through July 1, 2024. These payments are being made but are being applied to accrued interest first and thus no principal payments have been made. Non-payment does not result in default or acceleration of the loan but triggers interest rates of 6% beginning January 1, 2014. After this date, payments have been made as scheduled. Unpaid Accrued Interest is estimated to be \$933,412 at June 30, 2016. Note is Subordinate to the Special Obligation Refunding Bonds. This Note will be Repaid from the Revenues of the Tax Increment Financing District</p> | 3,000,000 | 0 | 0 | 0 | 3,000,000 |

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

| | <u>Beginning</u> <u>Balance</u> | | <u>Additions</u> | | <u>Deletions</u> | | <u>Ending</u> <u>Balance</u> |
|--|------------------------------------|----|------------------|----|------------------|----|---------------------------------|
| Bond Payable – Vermont Municipal Bond Bank, Street Reconstruction, \$70,817 Due Annually on November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually on May 15 and November 15 | \$ 1,203,697 | \$ | 0 | \$ | 70,817 | \$ | 1,132,880 |
| Bond Payable – Vermont Municipal Bond Bank, Community Center, \$110,000 Due Annually on November 15 through 2029, Interest Ranging from 1.31% to 5.23% Paid Semi-Annually on May 15 and November 15 | 1,650,000 | | 0 | | 110,000 | | 1,540,000 |
| Lease Payable - Bank Capital Services LLC, Loader & Backhoe, Interest at 3.5%, \$18,736 Inclusive of Interest Due Annually on December 1 through 2021 | 0 | | 97,741 | | 28,917 | | 68,824 |
| Lease Payable - TD Equipment Financing, Dump Truck w/ Plow Attachment, Interest at 2.81%, \$30,526 Inclusive of Interest Due Annually on January 30 through 2020 | 0 | | 144,513 | | 30,526 | | 113,987 |
| Lease Payable - Ford Motor Credit, Transit Van, Interest at 6.5%, \$8,683 Inclusive of Interest Due Annually on April 27 through 2018 | <u>0</u> | | <u>24,491</u> | | <u>8,683</u> | | <u>15,808</u> |
| Total Governmental Long-Term Debt | <u>\$ 22,494,274</u> | \$ | <u>266,745</u> | \$ | <u>1,847,649</u> | \$ | <u>20,913,370</u> |

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

The City also has another long-term liability to Vermont Works for Women (VWW) which is a tenant in the City's Community Center. The City has agreed to pay for VWW's cost incurred to fit up its space by reducing VWW's lease payments by 63.82%. This equated to \$9,750 in 2016. If VWW were to move out of the space, the remaining balance of \$494,849, less a penalty rate of 25%, results in \$371,137 payable to VWW.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending</u> <u>Balance</u> |
|--|------------------------------------|------------------|------------------|---------------------------------|
| <u>Business-Type Activities</u> | | | | |
| Sewer Fund: | | | | |
| Bond Payable – State of Vermont Special Environmental Revolving Loan Fund, Pollution Aeration Improvements, \$20,000 Due Annually, 0% Interest, Due December 1, 2016 | \$ 40,000 | \$ 0 | \$ 20,000 | \$ 20,000 |
| Bond Payable – State of Vermont Special Environmental Revolving Loan Fund, 0% Interest, \$60,000 Due Annually on January 1 through 2020 | 300,000 | 0 | 60,000 | 240,000 |
| Bond Payable – Vermont Municipal Bond Bank, Street Reconstruction, \$15,791 Due Annually on November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually on May 15 and November 15 | 255,713 | 0 | 15,039 | 240,674 |
| Lease Payable - Bank Capital Services LLC, Loader & Backhoe, Interest at 3.5%, \$24,794 Inclusive of Interest Due Annually on December 1 through 2021 | <u>0</u> | <u>97,741</u> | <u>6,667</u> | <u>91,074</u> |
| Total Sewer Fund | <u>595,713</u> | <u>97,741</u> | <u>101,706</u> | <u>591,748</u> |
| Water Fund: | | | | |
| Bond Payable – Vermont Municipal Bond Bank, Street Reconstruction, \$14,144 Due Annually on November 15 Through 2031, Interest Ranging from .804% to 4.664% Paid Semi-Annually on May 15 and November 15 | \$ 240,590 | \$ 0 | \$ 14,144 | \$ 226,446 |
| Lease Payable - Bank Capital Services LLC, Loader & Backhoe, Interest at 3.5%, \$24,794 Inclusive of Interest Due Annually on December 1 through 2021 | 0 | 97,741 | 6,667 | 91,074 |
| Other Liability – Champlain Water District, Water Allocation, \$9,480 Due Annually on December 1 through 2024, Interest at 4.44% Paid Semi-Annually on December 1 and June 1 | 94,800 | 0 | 9,480 | 85,320 |

CITY OF WINOOSKI, VERMONT
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| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending</u> <u>Balance</u> |
|---|------------------------------------|-------------------|-------------------|---------------------------------|
| <u>Business-Type Activities</u> | | | | |
| Other Liability – Champlain Water District, Water Allocation, \$6,220 Due Annually on August 1 through 2036, Interest at 1% and Admin Fee at 2% | \$ 0 | \$ 92,542 | \$ 0 | \$ 92,542 |
| Total Water Fund | <u>335,390</u> | <u>190,283</u> | <u>30,291</u> | <u>495,382</u> |
| Total Business-Type Activities | <u>\$ 931,103</u> | <u>\$ 288,024</u> | <u>\$ 131,997</u> | <u>\$ 1,087,130</u> |

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds Payable | \$ 18,362,655 | \$ 0 | 1,745,904 | \$ 16,616,751 | \$ 1,781,562 |
| Notes Payable | 4,098,000 | 0 | 0 | 4,098,000 | 0 |
| Capital Leases Payable | 33,619 | 266,745 | 101,745 | 198,619 | 51,308 |
| Other Long-Term Liability - VFWF | 378,450 | 0 | 7,313 | 371,137 | 9,750 |
| Compensated Absences | 128,680 | 14,130 | 0 | 142,810 | 0 |
| Other Post Employment Benefit | <u>26,683</u> | <u>1,849</u> | <u>0</u> | <u>28,532</u> | <u>0</u> |
| Total Governmental Activities | | | | | |
| Long Term Liabilities | <u>23,028,087</u> | <u>282,724</u> | <u>1,854,962</u> | <u>21,455,849</u> | <u>1,842,620</u> |
| Business-type Activities | | | | | |
| Bonds Payable | 836,303 | 0 | 109,183 | 727,120 | 109,183 |
| Capital Leases Payable | 0 | 195,482 | 13,334 | 182,148 | 43,216 |
| Due to Champlain Water District | 94,800 | 92,542 | 9,480 | 177,862 | 9,480 |
| Compensated Absences | <u>21,658</u> | <u>11,104</u> | <u>0</u> | <u>32,762</u> | <u>0</u> |
| Total Business-type Activities | | | | | |
| Long-Term Liabilities | <u>\$ 952,761</u> | <u>\$ 299,128</u> | <u>\$ 131,997</u> | <u>\$ 1,119,892</u> | <u>\$ 161,879</u> |

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

The total cost of assets under capital leases is \$266,745 for Governmental Activities and \$195,482 for Business-type activities. Amortization of the leases is included in depreciation expense. Accumulated depreciation for Governmental activities is \$5,445 and Business-type activities is \$5,916.

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

| Year Ending June 30 | Governmental Activities | | | Business-Type Activities | | |
|------------------------|-------------------------|---------------------|-------------------|--------------------------|-------------------|-------------------|
| | Principal | Interest | Capital Leases | Principal | Interest | Capital Leases |
| 2017 | \$ 1,781,562 | \$ 474,349 | \$ 57,980 | \$ 109,183 | \$ 17,064 | \$ 49,588 |
| 2018 | 1,821,657 | 423,894 | 57,946 | 89,183 | 16,421 | 49,588 |
| 2019 | 1,868,027 | 371,734 | 49,263 | 89,183 | 15,662 | 49,588 |
| 2020 | 1,915,514 | 317,823 | 49,262 | 89,375 | 14,806 | 49,588 |
| 2021 | 1,964,734 | 262,167 | 0 | 29,183 | 13,869 | 0 |
| 2022-2026 | 10,498,355 | 4,480,896 | 0 | 145,915 | 53,389 | 0 |
| 2027-2031 | 794,085 | 99,253 | 0 | 145,915 | 23,117 | 0 |
| 2032-2036 | 70,817 | 1,651 | 0 | 29,183 | 681 | 0 |
| Less imputed interest | 0 | 0 | (15,832) | 0 | 0 | (16,204) |
| Total | <u>\$ 20,714,751</u> | <u>\$ 6,431,767</u> | <u>\$ 198,619</u> | <u>\$ 727,120</u> | <u>\$ 155,009</u> | <u>\$ 182,148</u> |

H. Net Position/Fund Balances

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

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

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

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

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

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

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

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

Governmental Activities:

| | |
|---|---------------------|
| Restricted for Downtown Project and Debt Service by Bond Agreement and TIF Legislation | \$ 2,937,976 |
| Restricted for Community Development by Grant Agreements and Donations | 951,525 |
| Restricted for Public Safety by Grant Agreements and Regulation | <u>1,318</u> |
| Total Governmental Activities | \$ <u>3,890,819</u> |

Business-Type Activities:

| | |
|---|-------------------|
| Restricted for Sewer Expansion by Ordinance | \$ <u>391,185</u> |
|---|-------------------|

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

Major Funds

General Fund:

| | |
|-------------------------------|-------------------|
| Nonspendable Prepaid Expenses | \$ 186,990 |
| Nonspendable Inventory | <u>1,120</u> |
| Total Major Funds | \$ <u>188,110</u> |

CITY OF WINOOSKI, VERMONT
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The fund balances in the following funds are restricted as follows:

Major Funds

TIF Downtown:

| | |
|--|------------|
| Downtown Project and Debt Service by Bond Agreement and TIF Legislation | \$ 886,866 |
|--|------------|

Community Development Fund:

| | |
|---|----------------|
| Restricted for Community Development by Grant Agreements | <u>585,211</u> |
|---|----------------|

| | |
|-------------------|------------------|
| Total Major Funds | <u>1,472,077</u> |
|-------------------|------------------|

Non-Major Funds:

Asset Forfeitures Fund:

| | |
|---|-----|
| Restricted for Public Safety by Regulation (Source of Revenue is Asset Seizures) | 546 |
|---|-----|

Justice Center Fund:

| | |
|---|------------|
| Restricted for Public Safety by Grants (Source of Revenue is Grants) | <u>772</u> |
|---|------------|

| | |
|-----------------------|--------------|
| Total Non-Major Funds | <u>1,318</u> |
|-----------------------|--------------|

| | |
|--------------------------------|--------------------|
| Total Restricted Fund Balances | <u>\$1,473,395</u> |
|--------------------------------|--------------------|

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

Major Funds

General Fund:

| | |
|---|---------------|
| Assigned for City Operating Reserve | \$ 234,726 |
| Assigned for Fire/Hazmat | 64,353 |
| Assigned for Community Service Programs | 148,166 |
| Assigned for Other Post-Employment Benefits | <u>28,532</u> |

| | |
|--------------------|----------------|
| Total General Fund | <u>475,777</u> |
|--------------------|----------------|

City Capital Reserve Fund:

| | |
|-------------------------------|----------------|
| Assigned for Capital Projects | <u>814,760</u> |
|-------------------------------|----------------|

Non-Major Fund:

Community Center Fund:

| | |
|---|----------------|
| Assigned Fund for Community Development | <u>204,750</u> |
|---|----------------|

| | |
|------------------------------|--------------------|
| Total Assigned Fund Balances | <u>\$1,495,287</u> |
|------------------------------|--------------------|

V. OTHER INFORMATION

A. Retirement Plans

1. Vermont Municipal Employees' Retirement System – Defined Benefit Plan

Plan Description

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

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives – one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of credible services.

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

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net pension liability of \$77,095,810. As of June 30, 2016, the City's proportionate share of this was .97345% resulting in a liability of \$750,487. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2015, the City's proportion of .97345% was an increase of 0.2926% from its proportion measured as of June 30, 2014.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

For the year ended June 30, 2016, the City recognized pension expense of \$196,807.

As of June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources from the following sources.

| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> |
|--|---|--|
| Difference Between Expected and Actual Experience | \$ 23,723 | \$ 0 |
| Changes in proportional share of contributions | 8,722 | 32,893 |
| Difference between projected and actual earnings on pension plan investments | 144,988 | 0 |
| Changes in Assumptions | 149,460 | 0 |
| City's required employer contributions made subsequent to the measurement date | <u>128,779</u> | <u>0</u> |
| | <u>\$ 455,672</u> | <u>\$ 32,893</u> |

The deferred outflows of resources resulting from the City's required employer contributions made subsequent to the measurement date in the amount of \$128,729 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ending <u>June 30</u> | |
|-------------------------------|------------------|
| 2017 | \$ 53,637 |
| 2018 | 53,637 |
| 2019 | 53,637 |
| 2020 | <u>133,089</u> |
| Total | <u>\$294,000</u> |

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

Amount: Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members and payable within reduction for Group D members.

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

Amount: Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability, children’s benefit of 10% of AFC payable up to three minor children (or children up to age 23 if enrolled in full time studies) of a disabled Group D member.

Death Benefit:

Eligibility: Death after five (5) years of service.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

Optional Benefit and Death after Retirement: For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in the Consumer Price Index but not more than 3% for Groups B, C and D.

Member Contributions: Group B – 4.875% effective July 1, 2015 (increased from 4.75%). Group C – 9.875% effective July 1, 2015 and 10.00% effective January 1, 2016 (increased from 9.625%).

Group D – 11.35% effective July 1, 2015 (increased from 11.25%).

Employer Contributions: Group B – 5.50% effective July 1, 2015 (increased from 5.375%). Group C – 7.125% from July 1, 2015 to December 31, 2015 (increased from 6.875%) and then 7.25% effective January 1, 2016. Group D – 9.85% effective July 1, 2015 (increased from 9.75%).

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

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum. Through July 1, 2014, a select-and-ultimate interest rate set, specified as follows. The interest rate set was restarted every year.

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

Salary Increases: 5% per year.

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

Spouse's Age: Husbands are assumed to be three years older than their wives.

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

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

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

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

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

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------|--------------------------------|---|
| Equity | 31.50% | 8.61% |
| Fixed Income | 33.00% | 1.91% |
| Alternatives | 15.50% | 6.93% |
| Multi-strategy | 20.00% | 4.88% |

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

Discount Rate: The discount rate used to measure the total pension liability was 7.95%, a decrease from 8.23% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%).

| <u>1% Decrease (6.95%)</u> | <u>Discount Rate (7.95%)</u> | <u>1% Increase (8.95%)</u> |
|----------------------------|------------------------------|----------------------------|
| \$1,499,048 | \$750,487 | \$122,979 |

Additional Information

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

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

2. Vermont Municipal Employees Retirement System – Deferred Contribution Plan

The City also participates in the VMERS defined contribution (DC) Plan. The premise of Plan DC is to allow employees to have a choice in investing their retirement assets. Each employee will receive the value of their account upon retirement. Employees contribute 5% of earnings to the plan and the City contributes 5.125%. Covered payroll under the plan was \$239,259 and pension expense was \$12,262.

3. Other Defined Contribution Plan

The City also maintains a Section 401(a) defined contribution pension plan for all other employees not included in VMERS. Eligible employees must be twenty-one (21) years of age and work a minimum of 1,000 hours per year. This Plan provides retirement and survivor benefits. Under the plan specifications, a member may retire after reaching the age of 65 with no provision for early retirement. Benefits are not vested until an employee has five (5) years of service at which time they become 100% vested. Upon retirement, members are entitled to a lump sum distribution only. The City contributes 5% for all participating employees of gross salary less amounts deferred under a Section 125 cafeteria plan. The City will match contributions to the plan up to 6%. The City's covered payroll for this retirement plan was \$1,324,734. Pension expense for this plan for the years ended June 30, 2016, 2015 and 2014 was \$68,700, \$64,321, and \$59,232, respectively

The City also maintains a Section 457 Deferred Compensation Plan for its employees with a plan year of January 1 through December 31. The 457 Plan covers substantially all employees. The Plan is administered by Pension Works, Inc. with investments held at John Hancock. The City also offers its employees a Deferred Compensation Plan 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.

B. Property Taxes

Property taxes attach as an enforceable lien on property as of April 1. Taxes are levied on July 1 and are payable in four (4) installments on 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 2016 is as follows:

| | <u>Residential</u> | <u>Non-Residential</u> |
|----------------------|--------------------|------------------------|
| Education | \$1.3726 | \$1.5609 |
| Local Agreement Rate | .0012 | .0012 |
| City | <u>1.0250</u> | <u>1.0250</u> |
| Total | <u>\$2.3988</u> | <u>\$2.5871</u> |

CITY OF WINOOSKI, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

C. Risk Management

The City of Winooski is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Winooski maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City of Winooski. Settled claims have not exceeded this coverage in any of the past three fiscal years. The City must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days' notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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

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

| City Contribution toward a BCBS Plan (Annual) | | City Funding toward HRA (Annual) |
|--|----------|-------------------------------------|
| Single | \$5,165 | \$4,500 |
| Two Person | \$10,275 | \$9,000 |
| Employee & Child | \$10,037 | \$9,000 |
| Family | \$14,494 | \$9,000 |

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.

D. Operating Leases

The City has entered into operating leases for copiers, computer equipment, software licensing, a postage machine, a motorcycle, and electric vehicles. Lease expense for the fiscal year 2016 was \$56,935. Future minimum lease payments are as follows:

| | |
|-------|------------------|
| 2017 | \$ 53,073 |
| 2018 | 46,727 |
| 2019 | 31,488 |
| 2020 | <u>29,658</u> |
| Total | <u>\$160,946</u> |

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

E. Parking Garage Leases

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

| | |
|-------|---------------------|
| 2017 | \$ 512,567 |
| 2018 | 495,575 |
| 2019 | 507,532 |
| 2020 | 519,785 |
| 2021 | <u>314,860</u> |
| Total | <u>\$ 2,350,319</u> |

Revenue recognized under these leases for 2016 is \$561,425 which includes revenue for spaces leased at tenants' option in excess of the minimum and lease payments deferred from prior years.

One of the tenants pre-paid a portion of its lease commitment in 2011. This prepayment was deferred and is being amortized into revenue annually through June 30, 2024. The revenue recognized for this year is \$69,231 and the unamortized, unearned revenue at June 30, 2016 is \$553,846. In addition to this, other tenants pre-paid a portion of their 2016 leases before year end in the amount of \$40,770. Total unearned revenue at June 30, 2016 was \$594,616.

The parking garage is capitalized in the parking fund at a cost of \$16,124,487 with accumulated depreciation of \$3,549,774.

F. Concentration of Expenses

The City purchased all of its water from Champlain Water District (CWD) for the year ended June 30, 2016. The City purchased \$370,522 of water from CWD.

G. TIF District

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

CITY OF WINOOSKI, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

H. Commitments and Contingencies

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

The City is a participating member in the Chittenden Solid Waste District (CSWD), Champlain Water District (CWD), and the 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.

There is a claim against the City where the City's insurance carrier is providing defense with a reservation of rights. The City intends to vigorously defend this claim. The City is unable to determine the likelihood or amount, if any, of an unfavorable outcome.

CITY OF WINOOSKI, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2016

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Total Plan Net Pension Liability | \$ 77,095,810 | \$ 9,126,613 |
| City's Proportion of the Net Pension Liability | .97345% | .94419% |
| City's Proportionate Share of the Net Pension Liability | \$ 750,487 | \$ 86,173 |
| City's Covered Employee Payroll | \$ 1,403,915 | \$ 1,541,131 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll | 53.457% | 5.5920% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 87.42% | 98.32% |
| | as of June 30, 2015 | as of June 30, 2014 |

Notes to Schedule

Valuation Dates: June 30, 2015 and 2014.

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

Benefit Changes: None.

Change in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2016

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Contractually Required Contribution (Actuarially Determined) | \$ 128,779 | \$ 135,187 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>(128,779)</u> | <u>(135,187)</u> |
| Contribution Excess/(Deficiency) | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Employee Payroll | 1,403,915 | 1,541,131 |
| Contributions as a Percentage of City's Covered Employee Payroll | 9.173% | 8.772% |

Notes to Schedule

Valuation Dates: June 30, 2015 and 2014

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

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
GENERAL FUND
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|------------------|------------------|--|
| Revenue: | | | |
| Taxes | \$ 5,113,981 | \$ 5,165,463 | \$ 51,482 |
| Charges for Services | 56,500 | 71,933 | 15,433 |
| Investment Income | 5,500 | 5,420 | (80) |
| Intergovernmental Income | 502,622 | 461,228 | (41,394) |
| Fees, Fines and Forfeits | 147,500 | 253,086 | 105,586 |
| Licenses and Permits | 18,300 | 17,245 | (1,055) |
| Other | <u>170,750</u> | <u>161,365</u> | <u>(9,385)</u> |
| Total Revenue | <u>6,015,153</u> | <u>6,135,740</u> | <u>120,587</u> |
| Expenditures: | | | |
| Mayor & City Council | 71,417 | 57,863 | 13,554 |
| City Manager's Department | 224,456 | 179,453 | 45,003 |
| Legal Department | 86,600 | 80,947 | 5,653 |
| Administrative Services | 516,807 | 502,285 | 14,522 |
| Records Department | 124,776 | 120,571 | 4,205 |
| Planning/Zoning/Assessing | 152,706 | 157,070 | (4,364) |
| Fire Department | 318,127 | 260,569 | 57,558 |
| Police Department | 2,188,483 | 2,282,210 | (93,727) |
| Engineering Services | 49,506 | 54,782 | (5,276) |
| Public Works Department | 560,782 | 474,965 | 85,817 |
| Grounds & Facilities Department | 545,728 | 404,382 | 141,346 |
| Community Services | 124,655 | 122,394 | 2,261 |
| Pool Operation | 52,570 | 45,473 | 7,097 |
| Senior Citizens Center | 35,350 | 33,722 | 1,628 |
| Youth Programs | 124,561 | 121,746 | 2,815 |
| Library Department | 170,285 | 169,172 | 1,113 |
| Regional Programs | 243,420 | 231,778 | 11,642 |
| Capital Program | <u>424,924</u> | <u>424,924</u> | <u>0</u> |
| Total Expenditures | <u>6,015,153</u> | <u>5,724,306</u> | <u>290,847</u> |
| Excess of Revenue Over Expenditures | <u>\$ 0</u> | 411,434 | <u>\$ 411,434</u> |
| Reconciliation of Budgetary Basis to GAAP Basis: | | | |
| Expenditures of other funds combined with the General Fund | | (391,296) | |
| Revenues of other funds combined with the General Fund | | 410,516 | |
| Intrafund Transfers from Other Funds Combined with General Fund - Included in General Fund Revenue | | (28,792) | |
| Transfers Out of Other Funds Combined with General Fund | | <u>(395,855)</u> | |
| Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses - Exhibit D | | <u>\$ 6,007</u> | |

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

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

CITY OF WINOOSKI, VERMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

| | Special Revenue Funds | | | | |
|---|-----------------------------|---------------------------|------------------------------|-------------------------|--------------------------|
| | Community Center Fund | Justice Center Fund | Asset Forfeitures Fund | JAG Fund | Total |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 0 | \$ 264 | \$ 500 | \$ 0 | \$ 764 |
| Receivables | 10,834 | 77,500 | 0 | 10,021 | 98,355 |
| Due From Other Funds | <u>229,938</u> | <u>45,911</u> | <u>46</u> | <u>0</u> | <u>275,895</u> |
| TOTAL ASSETS | \$ <u>240,772</u> | \$ <u>123,675</u> | \$ <u>546</u> | \$ <u>10,021</u> | \$ <u>375,014</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts Payable | \$ 28,222 | \$ 2,292 | \$ 0 | \$ 0 | 30,514 |
| Accrued Payroll | 0 | 2,427 | 0 | 0 | \$ 2,427 |
| Unearned Revenue | 0 | 118,184 | 0 | 0 | 118,184 |
| Due to Other Funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>10,021</u> | <u>10,021</u> |
| Total Liabilities | <u>28,222</u> | <u>122,903</u> | <u>0</u> | <u>10,021</u> | <u>161,146</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | |
| Unavailable Grant Revenue | <u>7,800</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>7,800</u> |
| Total Deferred Inflows of Resources | <u>7,800</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>7,800</u> |
| <u>FUND BALANCES</u> | | | | | |
| Restricted | 0 | 772 | 546 | 0 | 1,318 |
| Assigned | <u>204,750</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>204,750</u> |
| Total Fund Balances | <u>204,750</u> | <u>772</u> | <u>546</u> | <u>0</u> | <u>206,068</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ <u>240,772</u> | \$ <u>123,675</u> | \$ <u>546</u> | \$ <u>10,021</u> | \$ <u>375,014</u> |

See Disclaimer in the Accompanying Independent Auditor's Report.

CITY OF WINOOSKI, VERMONT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

| | Special Revenue Funds | | | | Total |
|--|-----------------------------|---------------------------|------------------------------|---------------|-------------------|
| | Community Center Fund | Justice Center Fund | Asset Forfeitures Fund | JAG Fund | |
| Revenue: | | | | | |
| Intergovernmental | \$ 0 | \$ 112,536 | \$ 2,038 | \$ 14,996 | \$ 129,570 |
| Donations | 700 | 410 | 0 | 0 | 1,110 |
| Rent & Lease Income | 285,464 | 0 | 0 | 0 | 285,464 |
| Other | 97 | 394 | 475 | 0 | 966 |
| Total Revenue | 286,261 | 113,340 | 2,513 | 14,996 | 417,110 |
| Expenditures: | | | | | |
| Public Safety | 0 | 121,125 | 15,235 | 10,021 | 146,381 |
| Public Buildings and Facilities | 162,006 | 0 | 0 | 0 | 162,006 |
| Capital Outlay: | | | | | |
| Public Safety | 0 | 0 | 0 | 4,975 | 4,975 |
| Public Buildings and Facilities | 19,700 | 0 | 0 | 0 | 19,700 |
| Debt Service: | | | | | |
| Bond and Note Principal | 110,000 | 0 | 0 | 0 | 110,000 |
| Interest | 64,340 | 0 | 0 | 0 | 64,340 |
| Total Expenditures | 356,046 | 121,125 | 15,235 | 14,996 | 507,402 |
| Excess/(Deficiency) of Revenue Over Expenditures | (69,785) | (7,785) | (12,722) | 0 | (90,292) |
| Other Financing Sources/(Uses): | | | | | |
| Transfers In | 0 | 13,368 | 0 | 0 | 13,368 |
| Total Other Financing Sources/(Uses) | 0 | 13,368 | 0 | 0 | 13,368 |
| Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and and Other Financing/(Uses) | (69,785) | 5,583 | (12,722) | 0 | (76,924) |
| Fund Balances/(Deficit) - July 1, 2015 | 274,535 | (4,811) | 13,268 | 0 | 282,992 |
| Fund Balances - June 30, 2016 | <u>\$ 204,750</u> | <u>\$ 772</u> | <u>\$ 546</u> | <u>\$ 0</u> | <u>\$ 206,068</u> |

See Disclaimer in the Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the City of Winooski, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Winooski, Vermont's basic financial statements and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

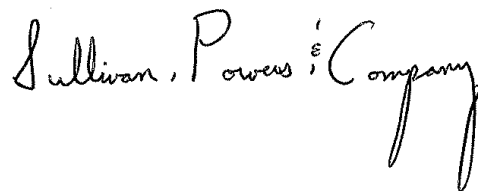
As part of obtaining reasonable assurance about whether the City of Winooski, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

However, we noted other matters that we reported in a separate letter to the management of the City of Winooski, Vermont dated January 13, 2017.

Purpose of this Report

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

January 13, 2017
Montpelier, Vermont
VT Lic. #92-000180

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