

CITY OF BARRE, VERMONT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

# Corrette & Associates, P.C.

## TABLE OF CONTENTS

Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 8
Statement of Net Position	9
Statement of Activities	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	12
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14 – 15
Statement of Net Position – Proprietary Funds - Enterprise Funds	16
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds – Enterprise Funds	17
Statement of Cash Flows – Proprietary Funds	18
Statement of Net Position – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	20
Notes to Financial Statements	21 – 48
Supplementary Information	
Combining Balance Sheet – Non-Major Governmental Funds	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	50
General Fund - Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual	51 – 52

# CORRETTE & ASSOCIATES

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Barre  
Barre, Vermont

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 Barre, Barre, 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 Barre, 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 accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express any 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 opinion.

## **Summary of Opinions**

<u>Opinion Unit</u>	<u>Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Funds	Unmodified

### **Basis for Qualified Opinion on Enterprise Funds**

Management has not adequately adopted procedures for the recording and reporting of revenues and receivables in the Business-Type Enterprise Funds. Accounting principles generally accepted in the United States of America require that revenues and receivables are recorded and reported in the period in which they are earned for all Enterprise Funds, which would increase assets and fund balance in the Proprietary Funds. The amount by which this departure would affect the assets, fund balance and revenues of the Enterprise Funds has not been determined.

### **Qualified Opinion**

In our opinion, except for the matter described in the “Basis for Qualified Opinion on the Enterprise Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Barre, Vermont and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary information on pages 4 through 8 and page 51 through 52 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, which 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 Barre, Vermont's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements on pages 49 through 50 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2017 on our consideration of the City of Barre 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 controls 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* and should be considered in assessing the results of our audit.

Corrette & Associates, P.C.  
Saint Johnsbury, Vermont  
March 21, 2017  
Vermont License # 92-130

**CITY OF BARRE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2016**

Presented is the Management Discussion & Analysis Report for the City of Barre, Vermont for the fiscal year ending June 30, 2016. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position, and the results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an accurate understanding of the City's financial activities have been included.

The City is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the City are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the City using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to most private-sector companies.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

***Fund Financial Statements***

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current period inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The City maintains three major governmental funds and eight non-major governmental funds. Information is presented in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, TIF District Fund and Semprebou Fund, which are the City’s major funds. The remaining eight non-major governmental funds are presented as supplemental information.

The City adopts an annual budget for its General Fund. A budgetary comparison has been provided for the General Fund with adopted budget to demonstrate compliance with the budget.

The City has four Fiduciary Funds which are used to account for resources not owned by the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

***Statement of Net Assets***

Net Assets of the City as of June 30, 2016 are as follows:

Current and other assets:	
Capital Assets	\$60,095,876
Other assets	<u>7,260,358</u>
Total assets	67,356,234

Current and other liabilities:	
Long-term bonds and capital leases payable	16,176,360
Accrued pension and vacation benefits payable	4,678,884
Other liabilities	<u>1,142,242</u>
Total liabilities	21,997,486
Deferred Outflows of Resources	
VMERS – deferred outflows	689,554
Deferred Inflows of Resources	
VMERS – deferred inflows	1,108,738
Net assets:	
Invested in capital assets, net of related debt	\$43,073,376
Restricted for specific purposes	2,850,615
Unrestricted	<u>(984,427)</u>
Total net assets	\$44,939,564

### Statement of Activities

Change in net assets for the year ending June 30, 2016 are as follows:

General revenues:	
Property Tax assessments	\$6,798,381
Delinquent taxes, penalties & interest	936,426
State and Federal grants	315,059
Charges for services	1,663,492
Interest and investment earnings	25,477
PILOT	255,566
Water and Sewer Funds	3,816,424
Rental income	362,205
Miscellaneous	<u>86,230</u>
Total revenues - governmental & business-type	\$14,259,260
General Expenses:	
General Government	\$3,972,164
Public works	1,021,506
Public safety	4,078,075
Community development	101,277
Culture and recreation	616,077
Cemetery	194,685
Water and Sewer Funds	3,344,911
Debt service	<u>175,291</u>
Total program expenses	\$13,503,986
Net income before operating transfers	755,274
Operating Transfers	(1,426,859)



Change in net assets	(671,585)
Net assets – beginning of year, as stated	\$ <u>46,116,701</u>
Prior period adjustment	\$ <u>(505,552)</u>
Net assets – beginning of year, restated	\$ <u>45,611,149</u>
Net assets – end of year	\$ <u>44,939,564</u>

### **City Activities**

As shown in the above Statement of Activities there was a decrease in net assets of \$671,585. This is due mainly to recognition of pension liabilities related to the City’s participation in the State of Vermont’s retirement system, and delays in billing for water and sewer work performed by the City on behalf of Barre Town.

The General Fund shows a fund deficit of \$190,558. This is a decrease of \$55,572, due in large part to the fact that one key staffing position (Director of Public Works) was vacant for all of FY16, thereby contributing to a surplus in the FY16 budget-to-actuals. Additionally, the FY16 budget included a \$26, 244 surplus to be used for recovery of the \$524,878 general fund deficit created when the cemetery department was absorbed into the general fund in FY14 through a charter change.

There was a 3.84% difference between the budgeted and actual revenues, with actuals running higher than budgeted. Actual expenses were 1.66% higher than budgeted. Some of the more significant areas of interest are:

- Legal expenses ran over by more than 120% due to extensive union contract negotiations.
- Parking meters and enforcement ran over by 52% due to software upgrades and additional staff.
- Finance Department expenses ran over by 19.5% due the engagement of a consultant, and additional overtime for staff.
- Engineering ran under by 64% due to the unfilled Director of Public Works position.
- Debt service ran under by 17% due to payoff of long term debt, and re-allocation to capital funds.
- BOR maintenance ran over by 25% due to unplanned repair needs.
- Traffic control ran over by 200% due to unplanned repair needs.
- Permitting, planning and inspection expenses ran under by 28% due to the unfilled City Planner position, which was filled part way through the fiscal year.
- Employee insurance ran under by 16.5% due to savings in health insurance premiums.

### **Capital Assets**

The City considers a capital asset to be an asset whose costs exceed \$5,000 and has a useful life of greater than five (5) years. Assets are depreciated using the straight-line method over the course of their useful life.

## **Long-Term Obligations**

During FY 2016 the City had a reduction in bonds and long term debt of \$557,695 from principal payments made during the year. Capital leases showed a net decrease of \$40,275. See Note IV in the Basic Financial Statements for a summary of all outstanding long-term obligations.

## **Economic Factors, Rates and 2017 Budget**

The City of Barre continues to experience significant economic development, which is adding to the overall grand list and the TIF district grand list. New development in the TIF district includes the construction of Summer Street Center, which received its certificate of occupancy in June 2016, and was fully completed in the beginning of FY17. The municipal property tax rate for FY17 increased by 1.26% - a goal identified by the City Council as an important one for keeping the City moving forward, yet recognizing financial limitations of property owners. New initiatives in the FY17 budget include a new position in the manager's office for a financial assistant. The continued expansion of the downtown parking plans, including creation of new parking areas and additional parking meters, helps offset the need for property tax revenues. Expanded parking and economic development have attracted new businesses to the downtown, including several new restaurants and food service providers, serving the growing number of people employed in the downtown. In an effort to provide additional revenue sources other than property taxes, the Council placed a charter change on the March 2017 Town Meeting ballot that would have allowed for the collection of a local options tax on rooms, meals and alcohol. Unfortunately that vote did not pass, however, the margin was much narrower than the previous two times this item was placed before the voters.

**Comparative Analysis:** This is Barre City's second year with Corrette & Associates, and the second year we are completing an MD&A. With FY16, we are now required to also submit a TIF audit report, based on the Agreed-Upon Procedures developed by the Vermont Economic Progress Council in conjunction with the state auditor's office. We continue to work on responses and corrections to the material weaknesses and significant deficiencies and identified in the internal controls report. Improvements have included ongoing clarifications on pooled cash and reconciliation of due tos/due froms, segregation of fiduciary funds, and establishment of the restricted components of the cemetery perpetual care accounts. Overall general fund budget management continues to be effective, as is evidenced by the difference between the general fund budget and actuals.

## **Contacting City's Financial Management**

This financial report is to provide our citizens and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the City Clerk/Treasurer office at (802) 476-0242 or by email to [cdawes@barrecity.org](mailto:cdawes@barrecity.org).

## FINANCIAL STATEMENTS

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

ASSETS	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and equivalents	\$ 1,361,319	\$ 855,395	\$ 2,216,714
Receivables	703,448	1,727,487	2,430,935
Investments	2,279,260	-	2,279,260
Inventories	71,584	259,561	331,145
Interfund balances	(513,224)	515,528	2,304
Total current assets	<u>3,902,387</u>	<u>3,357,971</u>	<u>7,260,358</u>
<b>Non-current Assets</b>			
Capital assets not being depreciated			
Land	3,035,445	-	3,035,445
Works of art	272,184	-	272,184
Capital assets, net of depreciation	<u>31,312,072</u>	<u>25,476,175</u>	<u>56,788,247</u>
Total non-current assets	<u>34,619,701</u>	<u>25,476,175</u>	<u>60,095,876</u>
Total assets	<u>38,522,088</u>	<u>28,834,146</u>	<u>67,356,234</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
VMERS - deferred outflows	<u>689,554</u>	<u>-</u>	<u>689,554</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	1,438,928	938,751	2,377,679
Accrued expenses	2,167,716	133,489	2,301,205
Deferred revenue	24,952	-	24,952
Short-term debt	-	1,123,430	1,123,430
Current portion of long-term debt	<u>645,695</u>	<u>471,595</u>	<u>1,117,290</u>
Total current liabilities	<u>4,277,291</u>	<u>2,667,265</u>	<u>6,944,556</u>
<b>Non-current Liabilities</b>			
Long-term lease payable	271,150	-	271,150
Long-term debt	<u>5,663,092</u>	<u>9,118,688</u>	<u>14,781,780</u>
Total non-current liabilities	<u>5,934,242</u>	<u>9,118,688</u>	<u>15,052,930</u>
Total liabilities	<u>10,211,533</u>	<u>11,785,953</u>	<u>21,997,486</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
VMERS - deferred inflows	<u>1,108,738</u>	<u>-</u>	<u>1,108,738</u>
<b>NET POSITION</b>			
Invested in capital assets, net	28,310,914	14,762,462	43,073,376
Restricted for:			
Specific purposes	2,850,615	-	2,850,615
Unrestricted	<u>(3,270,158)</u>	<u>2,285,731</u>	<u>(984,427)</u>
Total net position	<u>\$ 27,891,371</u>	<u>\$ 17,048,193</u>	<u>\$ 44,939,564</u>

The notes to the financial statements are an integral part of this statement

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

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Governmental activities</b>							
General government	\$ 3,972,164	\$ 155,805	\$ 315,059	\$ -	\$ (3,501,300)	\$ -	\$ (3,501,300)
Public safety	4,078,075	791,353	-	-	(3,286,722)	-	(3,286,722)
Public works	1,021,506	555,397	-	-	(466,109)	-	(466,109)
Community development	101,277	-	-	-	(101,277)	-	(101,277)
Culture and recreation	616,077	15,201	-	-	(600,876)	-	(600,876)
Cemetery	194,685	145,736	-	-	(48,949)	-	(48,949)
Debt service	175,291	-	-	-	(175,291)	-	(175,291)
<b>Total governmental activities</b>	<b>10,159,075</b>	<b>1,663,492</b>	<b>315,059</b>	<b>-</b>	<b>(8,180,524)</b>	<b>-</b>	<b>(8,180,524)</b>
<b>Business-type activities</b>							
Water and Sewer Funds	3,344,911	3,816,424	-	-	-	471,513	471,513
<b>Total primary governmental</b>	<b>\$ 13,503,986</b>	<b>\$ 5,479,916</b>	<b>\$ 315,059</b>	<b>\$ -</b>	<b>(8,180,524)</b>	<b>471,513</b>	<b>(7,709,011)</b>
<b>General revenues:</b>							
					6,798,381	-	6,798,381
					936,426	-	936,426
					25,477	-	25,477
					255,566	-	255,566
					-	86,230	86,230
					362,205	-	362,205
					(614,368)	(812,491)	(1,426,859)
					<u>7,763,687</u>	<u>(726,261)</u>	<u>7,037,426</u>
					<u>(416,837)</u>	<u>(254,748)</u>	<u>(671,585)</u>
					<u>28,480,132</u>	<u>17,636,569</u>	<u>46,116,701</u>
					<u>(171,924)</u>	<u>(333,628)</u>	<u>(505,552)</u>
					<u>28,308,208</u>	<u>17,302,941</u>	<u>45,611,149</u>
					<u>\$ 27,891,371</u>	<u>\$ 17,048,193</u>	<u>\$ 44,939,564</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

Total Fund Balances - Governmental Funds	\$ <u>959,866</u>
Capital assets in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	46,972,660
Accumulated depreciation has not been included in the governmental fund financial statements.	(12,352,959)
Accrued liabilities represent non-current activity and are not reported in the governmental funds, however, are included in the Statement of Net Position.	(250,952)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,659,201)
Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
VMERS - deferred outflows	689,554
Liabilities reported in governmental activities are not current financial expenditures and therefore are not reported in the governmental funds	
VMERS - net pension liability	(494,788)
VMERS - deferred inflows	(1,108,738)
Other long-term assets, such as notes and property taxes receivables, are not available to pay for current period expenditures and, therefore, are not included in the funds.	<u>135,929</u>
Net Position of Governmental Activities	\$ <u><u>27,891,371</u></u>

The notes to the financial statement are an integral part of this statement

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

Total Net Changes in Fund Balances - Governmental Funds	\$ <u>843,427</u>
<p>Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is capital outlay costs incurred in the current year.</p>	
	2,300,881
<p>Depreciation is not recognized as an expense in governmental funds and does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.</p>	
	(1,561,478)
<p>Changes in unfunded liabilities, such as accrued pension and accrued vacation are not recognized as an expense in the governmental funds and do not require the use of current financial resources; however, the total unfunded pension liability is included in the government wide financial statements.</p>	
	(16,262)
<p>Expenses to be paid in future periods are reported in the Statement of Activities and do not require the use of current financial resources and, therefore, not reported as expenditures in the governmental funds.</p>	
Pension expense	(432,819)
<p>Repayment of debt is reported in the fund financial statements but is removed from the government-wide Statement of Activities</p>	
	649,414
<p>Transfer from governmental funds to the government-wide Statement of Net Position of debt converted from short-term to long-term</p>	
	<u>(2,200,000)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(416,837)</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u> <u>Fund</u>	TIF <u>District</u> <u>Fund</u>	<u>Semprebon</u> <u>Fund</u>	Non- Major Govt <u>Funds</u>	Total Govt <u>Funds</u>
<b>ASSETS</b>					
Cash and					
cash equivalents	\$ 9,976	\$ 604,689	\$ 29,661	\$ 716,993	\$ 1,361,319
Receivables	175,334	-	-	392,185	567,519
Investments	-	-	1,333,534	846,703	2,180,237
Inventory	55,834	-	-	114,773	170,607
Due from other funds	189,458	168,869	-	121,351	479,678
Total assets	<u>430,602</u>	<u>773,558</u>	<u>1,363,195</u>	<u>2,192,005</u>	<u>4,759,360</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	430,516	5,632	863	1,001,919	1,438,930
Accrued expenditures	179,933	-	-	1,162,780	1,342,713
Deferred revenue	10,711	-	-	14,239	24,950
Due to other funds	-	-	346,547	646,354	992,901
Total liabilities	<u>621,160</u>	<u>5,632</u>	<u>347,410</u>	<u>2,825,292</u>	<u>3,799,494</u>
 <b>Fund balances</b>					
Nonspendable	-	-	-	-	-
Restricted	-	767,926	1,015,785	1,066,904	2,850,615
Assigned	-	-	-	399,439	399,439
Unassigned	(190,558)	-	-	(2,099,630)	(2,290,188)
Total fund balances	<u>(190,558)</u>	<u>767,926</u>	<u>1,015,785</u>	<u>(633,287)</u>	<u>959,866</u>
 Total liabilities and fund balances	 <u>\$ 430,602</u>	 <u>\$ 773,558</u>	 <u>\$ 1,363,195</u>	 <u>\$ 2,192,005</u>	 <u>\$ 4,759,360</u>

The notes to the financial statements are an integral part of this statement



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

	General Fund	TIF District Fund	Semprebbon Fund	Non- Major Govt Funds	Total Govt Funds
<b>Revenues</b>					
Taxes - general	\$ 7,623,195	\$ -	\$ -	\$ 644,171	\$ 8,267,366
Fines and forfeitures	96,240	-	-	-	96,240
PILOT	255,566	-	-	-	255,566
Licenses and permits	696,066	-	-	-	696,066
Federal/State grants	315,059	-	-	2,729,359	3,044,418
Charges for services	1,060,504	-	-	43,922	1,104,426
Investment earnings	5,477	1,420	64,752	29,435	101,084
Rental income	256,222	-	-	35,203	291,425
Donations	-	-	-	25,871	25,871
<b>Total revenues</b>	<b>10,308,329</b>	<b>1,420</b>	<b>64,752</b>	<b>3,507,961</b>	<b>13,882,462</b>
<b>Expenditures</b>					
Admin services	159,752	-	-	-	159,752
Aldrich Library	197,344	-	-	-	197,344
Animal control	7,887	-	-	-	7,887
City Assessor	74,624	-	-	-	74,624
City Auditorium	167,248	-	-	-	167,248
BOR recreation	247,435	-	-	-	247,435
Cemetery	194,685	-	-	-	194,685
City Hall Maint	114,779	-	-	-	114,779
City Clerk	201,994	-	-	-	201,994
City Manager	208,573	-	-	-	208,573
Comm Development	101,278	-	-	2,138,448	2,239,726
Debt repayment	576,228	55,917	-	1,204,079	1,836,224
Elections	6,876	-	-	-	6,876
Engineering	71,584	-	-	-	71,584
Facilities	110,137	-	-	-	110,137
Fire Department	1,797,627	-	-	-	1,797,627
General services	107,186	-	-	1,164,886	1,272,072
Insurance	1,897,786	-	-	-	1,897,786
Interest expense	195,198	-	-	-	195,198
Landfill	11,698	-	-	-	11,698
Legal and professional exp	80,163	86,454	-	-	166,617
Meters	94,591	-	-	-	94,591

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	TIF District Fund	Semprebou Fund	Non- Major Govt Funds	Total Govt Funds
(continued)					
Miscellaneous	128,780	-	24,759	-	153,539
Appropriations	183,676	-	-	-	183,676
Police dispatch	424,843	-	-	-	424,843
Pension expense	414,560	-	-	-	414,560
Police operations	1,694,402	-	-	-	1,694,402
Permitting	104,836	-	-	-	104,836
Public Safety	113,150	-	-	242,163	355,313
Recreation	98,652	-	111,140	-	209,792
Rent expense	14,079	-	-	-	14,079
Special projects	41,293	-	-	-	41,293
Streets	1,123,801	-	-	-	1,123,801
Traffic control	40,168	-	-	-	40,168
Uemployment insurance	23,205	-	-	-	23,205
Culture and Rec	-	-	-	1,555	1,555
Perpetual Care	-	-	-	6,767	6,767
Total expenditures	<u>11,030,118</u>	<u>142,371</u>	<u>135,899</u>	<u>4,757,898</u>	<u>16,066,286</u>
Excess of revenues over (under) expenditures	<u>(721,789)</u>	<u>(140,951)</u>	<u>(71,147)</u>	<u>(1,249,937)</u>	<u>(2,183,824)</u>
Other financing sources/(us Transfers in/(out)	<u>961,921</u>	<u>2,276,205</u>	<u>(49,906)</u>	<u>(161,969)</u>	<u>3,026,251</u>
Total other financing sources/(uses)	<u>962,921</u>	<u>2,276,205</u>	<u>(49,906)</u>	<u>(161,969)</u>	<u>3,027,251</u>
Net change in fund balance	<u>241,132</u>	<u>2,135,254</u>	<u>(121,053)</u>	<u>(1,411,906)</u>	<u>843,427</u>
Fund balances, June 30, 2015, as stated	<u>(246,130)</u>	<u>(1,367,328)</u>	<u>1,136,838</u>	<u>778,619</u>	<u>301,999</u>
Prior period adjustment	<u>(185,560)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,560)</u>
Fund balances, June 30, 2015, restated	<u>(431,690)</u>	<u>(1,367,328)</u>	<u>1,136,838</u>	<u>778,619</u>	<u>116,439</u>
Fund balances, June 30, 2016	<u>\$ (190,558)</u>	<u>\$ 767,926</u>	<u>\$ 1,015,785</u>	<u>\$ (633,287)</u>	<u>\$ 959,866</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
JUNE 30, 2016

	Water Fund	Sewer Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current Assets			
Cash	\$ 537,815	\$ 317,580	\$ 855,395
Accounts receivable, net	1,407,173	320,314	1,727,487
Inventories	216,317	43,244	259,561
Due From other funds	316,380	199,148	515,528
Total current assets	<u>2,477,685</u>	<u>880,286</u>	<u>3,357,971</u>
Non-current Assets			
Property and equipment, net	14,997,491	10,478,684	25,476,175
Total non-current assets	<u>14,997,491</u>	<u>10,478,684</u>	<u>25,476,175</u>
Total assets	<u>17,475,176</u>	<u>11,358,970</u>	<u>28,834,146</u>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accounts payable	277,997	660,754	938,751
Accrued expenses	73,377	60,112	133,489
Deferred revenue	-	-	-
Due to other funds	-	-	-
Short-term debt	1,123,430	-	1,123,430
Current portion of long-term debt	346,894	124,701	471,595
Total current liabilities	<u>1,821,698</u>	<u>845,567</u>	<u>2,667,265</u>
Non-current Liabilities			
Long-term debt	7,391,755	1,726,933	9,118,688
Total non-current liabilities	<u>7,391,755</u>	<u>1,726,933</u>	<u>9,118,688</u>
Total liabilities	<u>9,213,453</u>	<u>2,572,500</u>	<u>11,785,953</u>
Net Position			
Invested in capital assets, net of related debt	6,482,306	8,751,751	15,234,057
Assigned	-	-	-
Unrestricted	1,779,417	34,719	1,814,136
Total net position	<u>\$ 8,261,723</u>	<u>\$ 8,786,470</u>	<u>\$ 17,048,193</u>

The notes to the financial statements are an integral part of this statement

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

	Water Fund	Sewage Disposal Fund	Total Enterprise Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Operating revenues			
Charges for services	\$ 2,344,062	\$ 1,472,362	\$ 3,816,424
State revenues	-	-	-
Miscellaneous income	67,697	18,533	86,230
Total operating revenues	<u>2,411,759</u>	<u>1,490,895</u>	<u>3,902,654</u>
Operating expenses			
Operating, maintenance, and general	1,009,472	1,334,380	2,343,852
Depreciation	437,000	324,353	761,353
Total operating expenses	<u>1,446,472</u>	<u>1,658,733</u>	<u>3,105,205</u>
Operating income (loss)	<u>965,287</u>	<u>(167,838)</u>	<u>797,449</u>
Nonoperating income/(expense)			
Interest expense	<u>(237,750)</u>	<u>(1,956)</u>	<u>(239,706)</u>
Total nonoperating income/(expenses)	<u>(237,750)</u>	<u>(1,956)</u>	<u>(239,706)</u>
Income (loss) before transfers	<u>727,537</u>	<u>(169,794)</u>	<u>557,743</u>
Operating transfers in (out)	<u>972,704</u>	<u>(1,785,195)</u>	<u>(812,491)</u>
Change in net position	<u>1,700,241</u>	<u>(1,954,989)</u>	<u>(254,748)</u>
Total net position - June 30, 2015, as stated	<u>6,895,110</u>	<u>10,741,459</u>	<u>17,636,569</u>
Prior period adjustment	<u>(333,628)</u>	<u>-</u>	<u>(333,628)</u>
Total net position - June 30, 2015, restated	<u>6,561,482</u>	<u>10,741,459</u>	<u>17,302,941</u>
Total net position, June 30, 2016	<u>\$ 8,261,723</u>	<u>\$ 8,786,470</u>	<u>\$ 17,048,193</u>

The notes to the financial statements are an integral part of this statement

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

	Water Fund	Sewer Fund	Total
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 2,698,200	\$ 1,629,857	\$ 4,328,057
Cash paid to suppliers	(904,526)	(1,006,336)	(1,910,862)
Cash paid for wages and benefits	(321,467)	(354,484)	(675,951)
Cash received from operating grants	-	-	-
Cash received from miscellaneous revenues	67,697	18,533	86,230
Net cash provided (used) by operating activities	<u>1,539,904</u>	<u>287,570</u>	<u>1,827,474</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash received (paid) through operating transfers	<u>972,704</u>	<u>(1,785,195)</u>	<u>(812,491)</u>
Net cash provided (used) by noncapital and related financing activities	<u>972,704</u>	<u>(1,785,195)</u>	<u>(812,491)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Cash proceeds for capital grants	-	-	-
Cash paid for acquisition/construction of capital assets	(97,870)	(76,677)	(174,547)
Cash received (paid) for interfund capital transfers	(1,055,190)	1,916,555	861,365
Cash paid for principal on capital debt	(607,260)	(127,920)	(735,180)
Cash paid for interest on capital debt	(237,750)	(1,956)	(239,706)
Net cash provided (used) by capital & related financing activities	<u>(1,998,070)</u>	<u>1,710,002</u>	<u>(288,068)</u>
Net increase (decrease) in cash and cash equivalents	<u>514,538</u>	<u>212,377</u>	<u>726,915</u>
Cash at June 30, 2015	<u>23,277</u>	<u>105,203</u>	<u>128,480</u>
Cash at June 30, 2016	<u>\$ 537,815</u>	<u>\$ 317,580</u>	<u>\$ 855,395</u>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities</b>			
Operating income	\$ 965,287	\$ (167,838)	\$ 797,449
Adjustments to reconcile operating income to cash flows from operating activities			
Depreciation expense	437,000	324,353	761,353
(Increase) decrease in accounts receivable	354,138	157,495	511,633
(Increase) decrease in inventories	(6,754)	8,152	1,398
Increase (decrease) in short-term debt	(215,540)	-	(215,540)
Increase (decrease) in accounts payables	16,365	(14,683)	1,682
Increase (decrease) in accrued expenses	(10,322)	(19,909)	(30,231)
Increase (decrease) in deferred revenue	(270)	-	(270)
Net Adjustments	<u>574,617</u>	<u>455,408</u>	<u>1,030,025</u>
Net cash provided (used) by operating activities	<u>\$ 1,539,904</u>	<u>\$ 287,570</u>	<u>\$ 1,827,474</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust Funds			Agency Funds
	Youth Public Safety Fund	Keith Fund	Brusa Fund	Local Emergency Planning Commission # 5 Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,061	\$ 1,950	\$ 2,593	\$ 14,596
Investments	-	16,879	89,379	-
Due from other funds	-	-	-	-
Total assets	<u>4,061</u>	<u>18,829</u>	<u>91,972</u>	<u>14,596</u>
<b>LIABILITIES</b>				
Due to Other Funds	-	2,305	-	-
Deferred revenue	-	-	-	14,596
Held for the benefit of others	-	-	-	-
Total liabilities	<u>-</u>	<u>2,305</u>	<u>-</u>	<u>14,596</u>
<b>NET POSITION</b>				
Assets held in trust for others	<u>4,061</u>	<u>16,524</u>	<u>91,972</u>	<u>-</u>
Total net position	<u>\$ 4,061</u>	<u>\$ 16,524</u>	<u>\$ 91,972</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust Funds		
	Youth Public Safety Fund	Keith Fund	Brusa Fund
Additions			
Member contributions	\$ -	\$ -	\$ -
Investment earnings	-	77	92
Total Additions	<u>-</u>	<u>77</u>	<u>92</u>
Deductions			
Disbursements	-	85	5,837
Total deductions	<u>-</u>	<u>85</u>	<u>5,837</u>
		-	-
Changes in net position	<u>-</u>	<u>(8)</u>	<u>(5,745)</u>
Transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in net assets	<u>-</u>	<u>(8)</u>	<u>(5,745)</u>
Net position, beginning	<u>4,061</u>	<u>16,532</u>	<u>97,717</u>
Net position, ending	<u>\$ 4,061</u>	<u>\$ 16,524</u>	<u>\$ 91,972</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

The City of Barre, Vermont is a municipal government and operates under a Mayor/City Manager and City Council form of government and provides the following services as authorized by charter: highways and streets, water and wastewater treatment public safety, health and human services, culture and recreation, library, and general administrative services.

**Note I. Summary of Significant Accounting Policies**

The accounting policies of the City of Barre, Vermont conform to generally accepted accounting principles (GAAP) applicable to governmental units. 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 used in the preparation of these financial statements.

**A. Reporting Entity**

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

**B. Basis of Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Equity is reported in three components: invested in capital assets net of related debt, restricted, and unrestricted in the government-wide financial statements and nonspendable, restricted, committed, assigned, and unassigned in the fund financial statements.



CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

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

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between 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 charges to external parties.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

The fiduciary funds of the City are not included in the government-wide financial statements; separate financial statements are presented and included here.

Fund financial statements: These financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and proprietary funds are reported in separate columns. The remaining non-major fund information is presented in supplementary schedules.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

1. Measurement Focus: The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

1. Measurement Focus: (continued) or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Proprietary and fiduciary funds also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant revenues are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues available if they are collected within sixty (60) days after yearend. Expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary operations of the fund. Operating revenues for these funds are charges to customers for services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Property taxes, sewer usage fees, and water usage fees are recognized under the susceptible-to-accrual concept in accordance with Governmental Accounting Standards Board (GASB) pronouncements. Miscellaneous revenues and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

2. Basis of Accounting

Governmental Funds - These funds are used to account for the programs and activities of the governmental functions of the City.

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund, and includes the public safety, culture and recreation, and administrative operations of the City.

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The City has six special revenue funds: the Semprebon Fund - a bequest for the purpose of infrastructure

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

2. Basis of Accounting (continued)

Special Revenue Funds (continued): improvements, the Recreation Special Programs Fund – to support recreational activities for City residents; the Justice Center Fund – for support of the City’s Justice Center grant funds are received and fully passed through to the Center; the Community Development Fund - to support and encourage business and affordable housing; the Drug Forfeiture Fund – to collect City’s portion of seizures and fund public safety activities, and the Special Revenues Fund – to collect donations and grant revenues to fund public safety and disaster relief projects, and miscellaneous special projects and improvements.

Capital Projects Fund: Capital projects funds account for financial resources that are restricted for capital outlays. The City has four capital projects fund; the Water Department Capital Improvement Fund – for capital expenditures for the City’s water system; the Shade Tree Improvement Fund –for revenues and expenditures to increase shade trees within the City; the TIF (Tax Increment Financing) District Fund –for all for capital projects within the tax increment financing district; the Capital Improvement Fund – for nonrecurring equipment and capital improvements to the City.

Permanent Funds: Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry. The City has one permanent fund: the Cemetery Trust Fund, used to maintain City cemeteries.

Proprietary Funds - Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges. The Water Fund and the Sewer Fund are the City’s two enterprise funds.

Fiduciary Funds – These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the government’s own programs. The City has two types of trust funds: private-purpose trust, and agency funds.

Private-Purpose Trust Funds: To account for assets held by the City in trustee capacity for individuals, private organizations, and other governments. Private-purpose trust funds are accounted for in the same manner as proprietary funds. The City maintains three private-purpose fiduciary funds: Keith Fund – bequest to fund benefit low-income residents of Barre, Youth Public Safety Fund – for encouraging local youth safety initiatives, and the Brusa Fund – for the benefit of the low-income children of Barre.

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Agency Funds: To account for situations where the government's role is purely custodial. All assets reported in agency funds are offset by liabilities to party's on whose behalf they are held. Agency funds do not present results of operations or have a measurement focus. Agency funds use the full accrual basis of accounting. The City maintains agency fund. The Local Emergency Planning Commission #5 Fund is used to support local emergency planning.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows or Resources and Equity**

1. Cash and cash equivalents: Cash balances of the City's 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. Excess cash of individual funds are shown as due from other funds and excess withdrawals are presented as due to other funds.
2. Investments: City investments are made as allowed by State statute. Investments with readily determinable fair values are reported at their fair value on the balance sheet. Unrealized gains and losses are included in revenue.
3. Receivables: Receivables are shown net of an allowance for noncollection. Estimated losses are based on the judgment of management and a review of the current status of existing receivables.
4. Inventories and prepaid expenditures/expenses: Inventory values are determined by physical count and valued at the lower of cost or market. Inventories consist of vehicle fuel, materials, supplies and chemicals. Reported inventory and prepaid expense values in government funds are offset by a nonspendable portion of fund balance as these are not in spendable form.
5. Prepaid expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
6. Interfund receivables/payables: Transactions between funds representative of lending and borrowing arrangements that are outstanding at the end of the fiscal year are referred to as interfund receivables/payables. The City Treasurer effects interfund transfers as necessary for operational requirements.

CITY OF BARRE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows or Resources and Equity (continued)**

6. Interfund receivables/payables: (continued) Interfund due from/due to balances between individual funds of the City are presented in the fund financial statements but are eliminated for the government-wide Statement of Activities. The balance of activity between governmental and business-type activities is presented as internal balances in the Statement of Activities.

7. Capital assets:

Capital assets are reported at cost or estimated historical cost based on appraisals or current cost if purchased or constructed. Contributed assets are recorded at the fair value on the date contributed. Major capital assets and improvements are capitalized as constructed. Interest incurred during construction for proprietary fund capital assets is reflected in the cost, net of any interest earned during the same period. Interest is not capitalized during the construction phase for capital assets of general governmental activities. The cost of normal repairs and maintenance that do not add to the value to the asset or materially extend the assets estimated useful life are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The City has elected not to report major infrastructure assets retroactively.

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

The City continues to improve its capitalization processes in order to apply adopted capitalization policies consistently. These financial statements reflect prior period adjustments to represent this continued improvement.

The City has changed its capitalization thresholds and estimated useful lives by the following categories:

<u>Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	Infinite
Works of Art	1,000	Infinite
Buildings and Building Improvements	5,000	40 years
Vehicles, Machinery, Equipment and Furniture	5,000	5 – 20 years
Infrastructure	5,000	30 – 50 years
Cemetery Developments	5,000	10 – 50 years
Distribution and Collection Systems	5,000	33 – 100 years

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows or Resources and Equity (continued)**

7. Capital assets: (continued)

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 placed in service. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

8. Compensated absences: It is the City's policy to permit employees to accumulate earned but unused vacation, compensation time benefits. The City is liable for up unused vacation benefits as stipulated in union contracts. The accrual of unused vacation, based on current pay rates, is recorded in the government-wide financial statements. The liability for unused vacation is not reported in the fund financial statements. Payments for vacation are recorded as expenditures in the year they are paid.

9. Long-term obligations: In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current assets and liabilities.

10. Net Position and Fund Equity:

In the Statement of Net Position, net assets are classified in three categories:

Invested in Capital Assets, Net of Related Debt – All capital assets less accumulated depreciation, reduced by debt that is attributable to the acquisition, construction, or improvement of capital assets.

Restricted Net Assets – Assets for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – Net assets that are not restricted in any way.

In the governmental funds, fund balance is classified in the following categories, beginning with the most binding constraints, as follows:

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows or Resources and Equity (continued)**

10. Net Position and Fund Equity: (continued)

- Nonspendable - Amounts unavailable for spending, such as related to inventories and prepaid expenditures.
- Restricted - Amounts constrained by external parties, constitution provision, or enabling legislation.
- Committed - Amounts constrained by a government using its highest level of decision-making authority.
- Assigned - Amounts a government intends to use for a particular purpose.
- Unassigned - Amounts in the General Fund that are not constrained at all, as well as deficit fund balances of other governmental funds. Deficits require future funding.

Committed fund balance is established by the voters of the City by adoption of the budget and/or authorization of articles at the annual meeting of the City of Barre held in March of each year. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

11. Deferred Outflows/Deferred Inflows – In addition to assets and liabilities, the statement of financial position will sometimes report deferred inflows and deferred outflows which represent either the consumption of net position or the increase in net position that apply to future periods. The City only items the City has in these categories are deferred revenue in the form of uncollected property taxes and related interest and penalties, unearned grant revenue, and unavailable miscellaneous revenue.

12. Pensions

The City participates in the Vermont Municipal Employees Retirement System (VMERS) for union and non-union employees. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense and information about the fiduciary net position of VMERS have been determined on the same basis as the State of Vermont financial statements. For this purpose, benefits payments are recognized when payable in accordance with the benefit terms.

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**E. Other accounting policies**

1. Authorized expenditures: The City does not utilize encumbrance accounting for its governmental funds. Encumbrances represent commitments related to incomplete contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, would be employed as an extension of the formal budgetary integration in the General Fund.
2. Operating transfers: Operating transfers are legally authorized transfers of resources from one fund to another in support of operations or long-term activities.
3. Interest rate risk: Changes in market interest rates affect the fair value of an interest-bearing investment over time. The City does not have a deposit policy regarding interest rate risk.
4. Credit risk: The City is exposed to various risks including credit risk, custodial credit risk and concentration of credit risk. The City does not have policies regarding these risks.
5. Property taxes: The City is responsible for assessing, collecting, and distributing property taxes in accordance with State statutes. Property taxes are billed annually and payable in four installments throughout the year, due August 15, November 15, February 15 and May per City Charter, based on the assessed value of property.

Property taxes attach as an enforceable lien on property when they remain unpaid after the final, 4<sup>th</sup> quarter due date. Taxes are levied during July of each year.

Property tax revenues are recognized when they are levied because they are considered to be both measurable and available. Available includes those property tax receivables expected to be collected within sixty (60) days after yearend. Delinquent taxes are considered fully collectible but are excluded from the fund financial statements unless collected within the sixty-day revenue recognition period. These tax revenues are fully included in the government-wide Statement of Net Position and Statement of Activities.

7. Taxes collected for others: Property taxes collected by the City include taxes levied for the Barre City School District, and Washington County. The City is responsible for collection of these taxes which are remitted to these other governments.

8. Revenue recognition: The City defines the revenue recognition by fund and revenue type. Property taxes, as outlined above, are recognized if collected within sixty days of yearend. Other revenues in the General Fund, such as Parking Ticket revenue, fees, fines, rental and grant income follow revenue recognition for the General Fund.



CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note I. Summary of Significant Accounting Policies (continued)**

**E. Other accounting policies (continued)**

9. Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about certain reported amounts and disclosures. Actual results could differ from those estimates.

**Note II. Stewardship, Compliance, and Accountability**

**A. Budgetary accounting**

Budgets are presented for voter approved at the annual City Meeting in March each year. Budget changes require voter approval. There were no budget amendments during the year. For the year ended June 30, 2016, General Fund actual revenues exceeded budgeted revenues by \$413,471 and actual expenditures exceeded budgeted expenditures by \$46,875. The net decrease to the General Fund before operating transfers of \$962,921 was \$721,789, with a net increase in the General Fund was \$241,132.

**B. Deficit/surplus fund equity**

There is a net surplus in the governmental Statement of Net Position for Governmental Activities of \$27,891,371, with an unrestricted deficit of \$3,270,158.

The General Fund has a deficit of \$190,558. The Special Fund has a deficit of \$125,362, and the Capital Improvement Fund has a deficit of \$1,974,268. The City plans to resolve these deficits through normal operations. The remaining funds of the government have surpluses for the year ended June 30, 2016.

**Note III. Deposits and Investments**

**A. Cash, Cash Equivalents, and Investments**

At June 30, 2016, the carrying amount of the City's deposits with financial institutions was \$2,523,306 and the total balance reported by these institutions was \$4,524,583. These deposits are held in checking accounts, savings accounts, and money market accounts. Of the funds on deposit, \$868,812 was insured by the Federal Deposit Insurance Corporation (FDIC), and \$3,655,772 was collateralized.

At June 30, 2016 the City's had investments of \$2,102,218. Of these amounts, \$20,497 is held in certificates of deposit and is insured by FDIC with the balance managed by several investment

CITY OF BARRE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Note III. Deposits and Investments (continued)**

**A. Cash, Cash Equivalents, and Investments (continued)**

brokers. These amounts are guaranteed for principal and accrued interest through the Securities Investor Protection Corporation (SIPC). A federally mandated, non-profit, member-funded, corporation created under the Securities Investor Protection Act of 1970. It is a self-regulatory organization (SRO) which mandates membership by most US-registered broker-dealers.

The City has collateralization agreements with Merchant’s Bank to secure deposits above the FDIC limits. The City has not adopted formal deposit and investment policies.

GASB Statement No. 40 - *Deposit and Investment Risk Disclosures* - requires the City's investments to be categorized to give an indication of the level of risk assumed by the City at yearend. Category 1 includes investments that are insured or registered or securities that are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counter party’s trust department or agent in the City's name. At June 30, 2016, the City's investments were all Category 1.

**Note IV. Detailed Notes on All Funds**

**A. Notes Receivable**

Notes receivable as of June 30, 2016 are as follows:

<u>Description</u>	<u>Amount</u>
Note receivable, Highgate Limited Housing Partnership, with interest at 1%, deferred until July 2042 at which time all principal and interest are due. Secured by a second mortgage on real property.	\$ 657,500
Note receivable, Highgate Limited Housing Partnership with interest at 0%, deferred until July 2034 at which time all principal and interest are due. Secured by a second mortgage on real property.	649,900
Note receivable, Lincoln House, interest at 4.5%, with principal and interest payments beginning in December 2028 and payable monthly through December 2058. Secured by a mortgage on real property.	600,000
Note receivable, 28 Granite Street LLC, with interest at 0%, deferred until sale of the property or change in use. Secured by a second mortgage on real property.	<u>294,820</u>
Total long-term notes receivable	<u>2,202,220</u>
Less allowance for non-collectability	<u>(2,202,220)</u>
Reported value as of June 30, 2016	\$ <u><u>-</u></u>

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**B. Allowance for Uncollectible Receivables**

Delinquent taxes represent property taxes outstanding at June 30, 2016. The City has the legal right to force sale of the property to collect these taxes; therefore, the City has not established an allowance for uncollectible taxes.

Water and sewer receivables represent balances at June 30, 2016, and as the City has the legal right to force sale of the property to recover these fees, the City has not established an allowance for collectability. Other accounts receivable represent amounts due for grants and charges for services, such as cemetery, ambulance services and parking tickets. Based on past experience, the City has established allowances for their estimate of uncollectible receivables.

**C. Interfund Assets/Liabilities and Interfund Transfers**

**Due From/Due To Interfund Borrowing and Lending**

The City uses a pooled cash system for the General Fund, Proprietary funds, Special Revenue funds, Capital Projects funds and two fiduciary funds. The City Treasurer records this activity through the use of interfund receivables and payables; however, the City has not developed procedures to accurately authorize, track or resolve this activity, resulting in material balances that affect fund balances throughout the City's financial statements. Balances at June 30, 2016 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 189,458	\$ -
Water Fund	316,380	-
Sewer Fund	199,148	-
Recreation Special Programs	-	194
Community Development Fund	-	9,000
Drug Forfeiture Fund	-	13,659
Youth Public Safety Fund	-	-
Keith Fund	-	2,305
Cemetery Trust Fund	121,351	-
Special Revenues Fund	-	411,003
TIF Fund	168,869	-
Capital Improvement Fund	-	212,498
Semprebon Fund	-	<u>346,547</u>
	\$ <u>995,206</u>	\$ <u>995,206</u>

As part of the City's interfund borrowing and lending, the City executed a formal promissory note between the Capital Fund and the Sewer Fund at 1/4% interest rate. The repayment of this note is \$35,000 a year from fiscal year 2011 through fiscal year 2020.

CITY OF BARRE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**C. Interfund Assets/Liabilities and Interfund Transfers (continued)**

**Interfund Operating Transfers**

The City transfers monies between funds for services provided by other funds, to record expenses paid by one fund on behalf of another funds, and to move revenues and capital transfers recorded in one fund but intended for another fund. The following are interfund operating transfers for the year ended June 30, 2016:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Fund	\$ 413,625
General Fund	Sewer Fund	413,625
Water Fund	Sewer Fund	1,371,570
Water Fund	Capital Improvement Fund	14,759
General Fund	Capital Improvement Fund	232,107
General Fund	Cemetery Trust Fund	20,850
Tax Increment Fund	General Fund	76,205
Capital Improvement Fund	General Fund	41,082
Community Development Fund	Special Revenue Fund	890,725
Special Revenue Fund	Semprebon Fund	29,906

The City also executed an operating transfer out of the government-wide Statement of Net Position to the Tax Increment Fund in the amount of \$2,200,000 to recognize the conversion of short-term debt to long-term debt.

**D. Lease Agreements**

1. Capital leases – The City has entered into lease agreements for equipment. Capital assets acquired by lease agreements have been capitalized in the amount of \$303,313. Annual depreciation for this year for the City’s capital lease assets is \$21,939 and accumulated depreciation on this equipment totaled \$74,559.

2. Operating leases – The City has various operating leases for real and personal property in the form of land, building space and equipment. The total of operating lease expense for fiscal year 2016 was \$30,935. The City also acts as lessee for cell tower leases, parking lot and shop leases. The total lease income to the City for fiscal year 2016 was \$145,260.

The City has the following future minimum lease payments for its capital and operating leases:

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**D. Lease Agreements (continued)**

2. Operating leases – (continued)

<u>Year</u>	<u>Capital Lease Payments</u>	<u>Operating Lease Payments</u>
2017	50,552	8,105
2018	50,552	3,985
2019	50,552	1,519
2020	50,552	1,433
2021 – 2025	<u>101,105</u>	-
Total	\$ <u>303,313</u>	\$ <u>15,042</u>

**E. Capital Assets Activity**

Capital asset activity of the City for the year ended June 30, 2016 is as follows:

<b><u>Governmental activities:</u></b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Land, non-depreciable	\$ 3,019,377	\$ 16,068	\$ -	\$ 3,035,445
Works of Art	<u>272,184</u>	<u>-</u>	<u>-</u>	<u>272,184</u>
Total, Capital Assets not being Depreciated	<u>3,291,561</u>	<u>16,068</u>	<u>-</u>	<u>3,307,629</u>
Capital Assets, being depreciated:				
Building and Building Improv	8,656,884	85,734	-	8,742,618
Veh, Mach, Equip and Furniture	7,226,558	369,094	-	7,595,652
Infrastructure	24,680,912	1,829,988	-	26,510,900
Cemetery Developments	<u>815,861</u>	<u>-</u>	<u>-</u>	<u>815,861</u>
Totals	<u>41,380,215</u>	<u>2,284,816</u>	<u>-</u>	<u>43,665,031</u>
Less accumulated depreciation:				
Buildings and Building Improv	2,307,784	151,075	-	2,458,859
Veh, Mach, Equip and Furniture	4,082,789	402,250	-	4,485,039
Infrastructure	4,126,138	995,029	-	5,121,167
Cemetery Developments	<u>274,770</u>	<u>13,124</u>	<u>-</u>	<u>287,894</u>
Total accumulated depreciation	<u>10,791,481</u>	<u>1,561,478</u>	<u>-</u>	<u>12,352,959</u>
Total Capital Assets, being Depreciated	<u>30,588,734</u>	<u>723,338</u>	<u>-</u>	<u>31,312,072</u>
Total Capital assets, net	\$ <u>33,880,295</u>	\$ <u>739,406</u>	\$ <u>-</u>	\$ <u>34,619,701</u>

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**E. Capital Assets Activity (continued)**

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b><u>Water Fund</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 194,669	\$ -	\$ -	\$ 194,669
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets not being depreciated	<u>194,669</u>	<u>-</u>	<u>-</u>	<u>194,669</u>
Capital Assets, being depreciated:				
Buildings and Building Improvements	10,194	-	-	10,194
Veh, Mach, Equip, and Furniture	264,881	14,810	-	279,691
Infrastructure	1,080,735	76,911	-	1,157,646
Construction in Progress	-	12,624	-	12,624
Distribution and Collection Sys	<u>21,589,948</u>	<u>-</u>	<u>-</u>	<u>21,589,948</u>
Total Capital Assets being Depreciated	<u>22,945,758</u>	<u>104,345</u>	<u>-</u>	<u>23,050,103</u>
Total Accumulated depreciation	<u>7,810,281</u>	<u>437,000</u>	<u>-</u>	<u>8,247,281</u>
Total Capital Assets, being Depreciated	<u>15,135,477</u>	<u>(332,653)</u>	<u>-</u>	<u>14,802,821</u>
Capital assets, net	\$ <u>15,330,146</u>	\$ <u>(332,653)</u>	\$ <u>-</u>	\$ <u>14,997,491</u>
<b><u>Sewer Fund</u></b>				
Capital Assets, not being depreciated:				
Land	\$ <u>109,000</u>	\$ -	\$ -	\$ <u>109,000</u>
Total Capital Assets not being depreciated	<u>109,000</u>	<u>-</u>	<u>-</u>	<u>109,000</u>
Capital Assets, being depreciated:				
Buildings and Building Improv	449,365	-	-	449,365
Veh, Mach, Equip, and Furniture	1,519,802	22,910	-	1,542,712
Constuction in progress	-	6,411	-	6,410
Distribution and Collection System	<u>14,005,236</u>	<u>53,767</u>	<u>-</u>	<u>14,059,003</u>
Total Capital Assets being Depreciated	<u>15,974,403</u>	<u>83,088</u>	<u>-</u>	<u>16,057,490</u>
Total Accumulated depreciation	<u>5,363,453</u>	<u>324,354</u>	<u>-</u>	<u>5,687,807</u>
Total Capital Assets, being Depreciated	<u>10,610,950</u>	<u>(241,266)</u>	<u>-</u>	<u>10,369,684</u>
Capital assets, net	\$ <u>10,719,950</u>	\$ <u>(241,266)</u>	\$ <u>-</u>	\$ <u>10,478,684</u>

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**E. Capital Assets Activity (continued)**

Depreciation expense was charged to governmental and business-type functions as follows:

<u>Business-type Activities</u>		<u>Government Activities</u>	
Water	\$ 437,000	General Government	\$ 95,416
Sewer	<u>324,354</u>	Public Safety	319,296
Total	\$ <u>761,354</u>	Highways and streets	1,038,005
		Culture and recreation	93,518
		Cemetery	<u>15,243</u>
		Total	\$ <u>1,561,478</u>

**F. Short-term Debt**

The City enters into short-term debt to manage cash flows, in anticipation of grant and bond revenues. The following is a summary of the City's short-term debt as of June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Repayment</u>	<u>Ending Balance</u>
1.73% Line of Credit with Merchant's Bank in the amount of \$2,250,000 due September 29, 2015	\$ 1,338,970	\$ -	\$ 1,338,970	-
1.80% Grant Anticipation Note With Merchant's Bank in the Amount of \$1,700,000 due January 2016	-	1,700,000	1,700,000	-
1.35% Tax Increment Fund Bond Anticipation Note with Peoples United Bank in the amount of \$2,200,000 due August 2015	2,200,000	-	2,200,000	-
1.93% Current Expense Note With Merchant's Bank in the amount of \$1,123,430 due March 2016	-	1,123,430	-	1,123,430
.074% Tax Anticipation Note with Community National Bank in the amount of \$1,200,000 due June 30, 2016.	-	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Total Short-term debt	\$ <u>3,538,970</u>	\$ <u>4,023,430</u>	\$ <u>6,438,970</u>	\$ <u>1,123,430</u>

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**G. Long-Term Debt**

The City issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refinance prior bond issues. General obligation bonds have been issued for both general government activities and proprietary activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds are generally issued as 10 or 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt being refunded.

The following is long-term debt activity for the year ended June 30, 2016:

	<u>06/30/15</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/16</u> <u>Balance</u>
<b><u>General – Government Long-Term Debt</u></b>				
3.55% Vermont Municipal Bond Bank, Library improvements, with principal payments of \$25,000 payable December 1st annually and principal and interest payments due June and December annually through December 2018	\$ 100,000	\$ -	\$ 25,000	\$ 75,000
2.8% Vermont Municipal Bond Bank, Civic Center improvements, with variable principal payments payable December 1st annually and principal and interest payments due June and December annually through December 2021.	210,000	-	30,000	180,000
3.835% Vermont Municipal Bond Bank, Public Safety Building, with variable principal payments of \$195,000 due December 1st annually and principal and interest payments due June and December annually through December 2026.	2,340,000	-	195,000	2,145,000
2.391% Vermont Municipal Bond Bank, BOR improvements, with variable principal payments payable December 15th annually and principal and interest payments due May and November annually through November 2019.	800,000	-	175,000	625,000



CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**G. Long-Term Debt (continued)**

	<u>06/30/15</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/16</u> <u>Balance</u>
1.624% Vermont Municipal Bond Bank, North Main Street improvements, with variable principal payments payable November 15th annually and principal and interest payments due May and November annually through November 2031.	634,286	-	38,571	595,715
4.34% Vermont Municipal Bond Bank, cemetery improvements, with variable principal payments payable December 1st annually and principal and interest payments due June and December annually through December 2015.	25,000	-	25,000	-
4.375% US Dept of Agriculture note payable for City Hall improvements with principal payments of \$3,250 due August 20th annually and interest payments due February 20 and August 20 annually through August 2029	48,750	-	3,250	45,500
2.5% note payable from Community National Bank with annual principal and interest payments of \$26,907 payable December 20 through December 2018	100,000	-	25,000	75,000
2.83% Granite Museum Bond with TD Bank with monthly principal and interest payments of \$6,286 through September 2021.	431,610	-	64,038	367,572
1.35% Bond Anticipation Note with Vermont Municipal Bond Bank in the amount of \$2,200,000 due November 2020	<u>-</u>	<u>2,200,000</u>	<u>-</u>	<u>2,200,000</u>
Total governmental long-term debt:	\$ <u>4,689,646</u>	<u>\$2,200,000</u>	<u>\$ 580,859</u>	\$ <u>6,308,787</u>

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed notes on all funds (continued)**

**Business-type Activities**

	06/30/15			06/30/16
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<b><u>Water Fund</u></b>				
3.93% Vermont Municipal Bond for water system construction with biannual variable principal and interest payments maturing December 2034.	\$ 5,866,363	\$ -	\$ 198,438	\$ 5,667,925
-3.0% Vermont Environmental Revolving Fund Loan for Deep Rock Water System with annual payments of \$7,389 maturing December 2035. The forgiven principal is recorded as interest income to the City	220,644	-	14,011	206,633
1.324% Vermont Municipal Bond Bank for North Main St. improvements with variable principal and Interest payments maturing November 2031.	246,949	-	15,017	231,932
-3.0% Vermont Environment Revolving Fund Loan for a Hyrdo Power Turbine with annual payments of \$6,685 due July 1st, maturing July 2045	332,840	-	16,670	316,170
-3.0% Vermont Municipal Bond for Water System Trestle project with annual payments of \$20,483 maturing November 2045.	706,254	-	-	706,254
2.25% Community National Bank Spillway Refinance Note with annual payments of \$53,953 maturing November 2025.	-	609,736	-	609,736
<b><u>Sewer Fund</u></b>				
3.93% Vermont Municipal Bond Bank for Sewer System Construction with biannual variable principal and interest payments maturing December 2027.	1,212,612	-	77,019	1,135,593

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**G. Long-Term Debt (continued)**

**Business-type Activities (continued)**

	06/30/15			06/30/16
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<b><u>Sewer Fund</u></b> (continued)				
1.324% Vermont Municipal Bond Bank for North Main St. improvements with variable principal and Interest payments maturing November 2031.	598,766	-	36,413	562,353
2.0% Vermont Municipal Bond Bank for Sewer Treatment Plant HVAC project, with Annual principal and interest payments of \$11,319 due February 1st, maturing February 2032.	<u>161,762</u>	<u>-</u>	<u>8,074</u>	<u>153,688</u>
Total business-type long-term debt	\$ <u>9,346,190</u>	\$ <u>609,736</u>	\$ <u>365,642</u>	\$ <u>9,590,284</u>
Total long-term debt				\$ <u>15,899,071</u>
Less current portion				<u>1,117,290</u>
Long-term portion				\$ <u>14,781,781</u>

The following is a summary of annual principal and interest debt requirements to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Current portion	1,117,290	544,232	1,661,522
2018	1,098,972	504,732	1,603,704
2019	1,112,191	468,687	1,580,878
2020	1,076,021	431,579	1,507,600
2021	970,457	397,936	1,368,393
2022-2026	4,397,714	1,513,952	5,911,666
2027-2031	3,195,221	798,497	3,993,718
2032-2036	2,252,788	285,061	2,537,849
2037-2041	580,494	53,907	634,401
2041-2045	<u>97,923</u>	<u>7,401</u>	<u>105,324</u>
Total	\$ <u>15,899,071</u>	\$ <u>5,005,984</u>	\$ <u>20,905,055</u>

During fiscal year 2016 long-term debt interest expense was \$488,434.

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**H. Fund Structure Changes**

During fiscal year 2012, the City Council dissolved the Cemetery Enterprise Fund - a Proprietary fund reporting assets, liabilities equity, revenues and expenditures on the accrual basis of accounting – and absorb it entirely into the City’s general operations – which report all financial activity on the modified accrual basis of accounting.

The City incorporated the operational portion of the Cemetery into its General Fund and incorporated the perpetual portion of the Cemetery Fund into a permanent fund, the Cemetery Trust Fund, to record and report permanently restricted assets and fund balance.

At the time of consolidation, the Cemetery Fund had a surplus of \$524,878, which the City Council voted to recover in tax revenues over a twenty-year period by budgeting but not expensing an annual line item of \$26,244 in the General Fund beginning in fiscal year 2015, leaving a June 30, 2016 balance of \$472,390 with resolution in fiscal year 2035.

**I. Taxes Collected for Others**

Property taxes collected by the City include taxes levied for the Barre School District and Washington County. The City is ultimately responsible for the collection of these taxes which are remitted to the governmental entities as required by law. The amount of taxes collected and remitted to the Barre School District, and Washington County during the year ended June 30, 2016 was \$5,713,576, and \$35,300, respectively.

**J. Deferred Revenue**

The City receives prepaid pool admissions, grant revenue and prepaid property tax revenues before the due date. These collections represent deferred revenue to the City until the programs' execution satisfies the City’s obligation to its members to provide the summer programs, or until the revenues have been earned by the City. The total amount of deferred revenue is \$10,711 at June 30, 2016.

**K. Prior Period Adjustments**

The City has not accurately recorded and reported financial assets, liabilities and financial activities in accordance with generally accepted accounting principles.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Overstated receivables	\$ 185,560
Water Fund	Overstated receivables	\$ 333,628

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note IV. Detailed Notes on All Funds (continued)**

**K. Prior Period Adjustments (continued)**

Additionally, the following prior period adjustment affects the government-wide financial statements as they represent long-term assets and liabilities not reported in the fund financial statements.

Recognition of historical VMERS pension liability	\$ (13,636)
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**Note V. Other Information**

**A. Commitments and Contingencies**

1. Long-Term Contracts: The City has union contracts with the police and fire, and clerical employees. Of these contracts, the police department's union contract is in force through June 30, 2017; the fire fighters/Ambulance Service union contract is in force through June 30, 2015 and under negotiation subsequent to year end, and the clerical employees operate under the United Steelworker union contract was in force through June 30, 2015 extended through June 30, 2016 and is under negotiation.

2. Risk Management: The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund covering each of those risks. Management believes such coverage is sufficient to protect the City against loss. Settled claims have not exceeded this coverage in any of the past three fiscal years. The City may withdraw from this Fund by giving sixty-days notice. Fund underwriting and rates are subject to an assessment in the event of deficiencies. If the assets of the Fund are exhausted, members are responsible for the Fund's liabilities. The City believes no such deficiency exists at June 30, 2016 and does not expect a future deficiency. The City maintains self-insurance for unemployment insurance purposes.

3. Federal and State Grants: In the normal course of operations, the City receives grant funds from various federal and state agencies. The costs charged to grant programs are subject to audit and adjustment by agents of the granting authority. Any liability for reimbursement of grant funds received, which may arise as the result of these audits, is not believed to be material.

4. The City is a member of the Central Vermont Public Safety Authority and beginning in fiscal year 2016 the City is obligated to participate in the fund of the Authority.

5. The City is a participating member of the Central Vermont Solid Waste District. The City could be subject to a portion of the District's debt if the District experiences financial problems.

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note V. Other Information (continued)**

**A. Commitments and Contingencies (continued)**

6. There are a number of pending claims against the City where the City's insurance carrier is providing defense with a reservation of rights. The City intends to vigorously defend against these claims; however, the cases are in the early stages of discovery and therefore, the City is unable to determine the likelihood or amount, if any, of an unfavorable outcome.

**B. Defined Contribution Pension Plan**

The City provides its employees a defined contribution pension plan. The City Pension Plan and Trust is administered by the City. Employees are eligible after reaching the age of 18 and completing two years of service. The Plan may be amended at any time; however, Plan assets may not be used for any other purpose and amendments may not cause any reduction in the amount credited to employees' accounts. The City's required contribution rate for fiscal year 2016 was 6% for employees with less than ten year of service, 8% for employees with more than ten but less than twenty years of service, and 12% for employees with more than 20 years of service. Employees are allowed to contribute after-tax earnings. Additionally, the City will contribute a match of one half of employee voluntary contributions up to a maximum of 4% of earnings. The City's total payroll for fiscal year 2016 was \$5,875,162 and its payroll for employees covered by the pension plan was \$519,002. During the year ended June 30, 2016, the City contributed \$71,339 and employees contributed \$29,297. Employees are 20% vested in the Plan after two years of service and the vested percentage increases an additional 20% each year until fully vested after six years of service.

**C. Vermont Municipal Employees Retirement System**

Information Required Under GASB Statement No. 68

Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resource, deferred inflows of resources, and pension expense. These financial statements reflect implementation of GASB Statement No. 68.

1. Plan Description

The Vermont Municipal Employees Retirement System 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 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

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note V. Other Information (continued)**

**C. Vermont Municipal Employees Retirement System (continued)**

met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or any time thereafter. Any employee hired subsequent to the effective participating date of their employer who meets the minimum hour requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 437 participating employers. There are three levels of contributions and benefits in the System called Group A, Group B, Group C, and Group D. The City participates in Group B and C.

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

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

2. Benefits Provided

Full time employees other than teachers are eligible to participate in the Vermont Municipal Employees Retirement System (VMERS) providing they work more than 30 hours a week for the school year and for not less than a total of 1,040 hours. There are three levels of contributions and benefits in the System called Group A, Group B, Group C, and Group D.

The District participates in Group B and C. Normal retirement for Group B and C members is age 62 and 5 years of creditable service. Members may receive reduced benefits at age 55 with 5 years of service and with contributions for at least 2.5 years.

3. Contributions

The Defined Benefit Plans of VMERS are actuarial reserved, joint-contributory programs. The City participates in the Vermont Municipal Employees Retirement System (VMERS) Group B and Group C Plans. Group B represents police and fire department employees and Group C represents clerical, public work department and non-union employees. VMERS Plans B and C provide retirement, disability and death benefits and require all eligible employees to contribute. Contributions as a percentage of gross wages for the year ended June 30, 2016 are:

CITY OF BARRE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Note V. Other Information (continued)**

**C. Vermont Municipal Employees Retirement System (continued)**

3. Contributions (continued)

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Group B		
07/01/2015 – 12/31/2015	5.375%	4.750%
01/01/2016 – 06/30/2016	5.375%	4.750%
Group C		
07/01/2015 – 12/31/2015	6.875%	9.625%
01/01/2016 – 06/30/2016	7.000%	9.750%

Employee contributions are withheld by the City and are remitted to the State of Vermont. The City contributed \$324,551 and employees contributed \$389,590 during the year. The City's total payroll for all employees during the year was \$5,743,570, with \$5,023,450 of such amount related to employees covered by the Vermont Municipal Employees Retirement System.

4. Significant Actuarial Assumptions and Methods

Interest rate: 7.95% per annum. Through July 1, 2014, a select-and-ultimate rate set was used, as specified below. The interest set rate 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. Disabled retirees – RP-2000 Disabled Life Tables. Beneficiaries – 1995 Buck Mortality Tables for males and females.



CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note V. Other Information (continued)**

**C. Vermont Municipal Employees Retirement System (continued)**

4. Significant Actuarial Assumptions and Methods (continued)

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 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

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. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%. (Not for GASB 68)

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 System 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. The 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.

Best estimates of arithmetic rates of return for major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

CITY OF BARRE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Note V. Other Information (continued)**

**C. Vermont Municipal Employees Retirement System (continued)**

4. Significant Actuarial Assumptions and Methods (continued)

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above 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%. 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 System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the net pension liability, calculated using the discount rate of 7.95%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%) than the current rate:

1% Decrease <u>(6.95%)</u>	Discount Rate <u>(7.95%)</u>	1% Increase <u>(8.95%)</u>
\$ 3,152,299	\$ 1,578,174	\$ 258,608

Additional information and ten-year historical trend information can be obtained from the separately issued State of Vermont’s Comprehensive Annual Financial Report

Additional information and ten-year historical trend information can be obtained from the separately issued State of Vermont’s Comprehensive Annual Financial Report.

**D. Related Party Transactions**

The City has a conflict of interest policy and established procedures prohibiting self-dealing and related party activity. The City Manager is a stockholder of an engineering firm the City engages to provide services. The amount paid to the engineering firm during the year ended June 30, 2016 was \$322,991.

**E. Gift Annuity**

The City receives a perpetual annual gift of \$50,000 from an annuity established by the late Charles Semprebton through the Vermont Community Foundation. The City is the sole beneficiary of the annuity for which there is a preference, but not a requirement, to be spent on improvements to infrastructure such as public roads, bridges and buildings.

CITY OF BARRE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note V. Other Information (continued)**

**F. Tax Increment Financing District**

The City established a Tax Increment Financing (TIF) District in fiscal year 2013 to undertake infrastructure improvements and increased economic and community development. The City incurs debt as approved by the voters and Vermont Economic Progress Council (VEPC) which provides statutory oversight of all TIF districts in Vermont. The City received approved for \$2,200,000 in TIF District projects during fiscal year 2014. The debt incurred for these projects will be paid by revenues from TIF properties; however, is general obligation debt of the City if TIF revenues are not sufficient to service the debt. Within the TIF District, all real estate values are to remain unchanged from the time the TIF is created and all municipal property taxes generated by the original values continue to fund the General Fund and the Education Fund. For a period of twenty years from the first debt incursion, the municipal and education property taxes generated by any new development are allocated at 75% to the TIF District and 25% to the municipal General Fund and education expenses.

**G. Subsequent Events**

On July 01, 2016, the City borrowed \$1,200,000 in a Tax Anticipation Note from Community National Bank at 0.97% due June 30, 2017.

Events occurring after June 30, 2016, have been evaluated for possible adjustment to the financial statements or disclosures through March 21, 2017 the date the financial statements were available to be issued.

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

	Special Revenue Funds					Capital Projects		Permanent	Non-Major Govt Funds
	Community Dev Fund	Drug Forfeiture Fund	Recreation Special Programs Fund	Special Fund	Justice Center Fund	Capital Improv Fund	Shade Tree Improv Fund	Cemetery Trust Fund	
<b>ASSETS</b>									
Cash	\$ 21,839	\$ 15,076	\$ 22,238	\$ 345,465	\$ -	\$ 289,373	\$ 23,002	\$ -	\$ 716,993
Investments	-	-	-	-	-	-	-	846,703	846,703
Receivables	342,204	349	-	49,632	-	-	-	-	392,185
Inventory	-	99,023	-	-	-	15,750	-	-	114,773
Due from other funds	-	-	-	-	-	-	-	121,351	121,351
<b>Total Assets</b>	<u>364,043</u>	<u>114,448</u>	<u>22,238</u>	<u>395,097</u>	<u>-</u>	<u>305,123</u>	<u>23,002</u>	<u>968,054</u>	<u>2,192,005</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable	-	1,939	-	93,961	-	905,369	650	-	1,001,919
Accrued expenses	-	-	-	1,256	-	1,161,524	-	-	1,162,780
Deferred revenue	-	-	-	14,239	-	-	-	-	14,239
Due to other funds	9,000	13,659	194	411,003	-	212,498	-	-	646,354
<b>Total Liabilities</b>	<u>9,000</u>	<u>15,598</u>	<u>194</u>	<u>520,459</u>	<u>-</u>	<u>2,279,391</u>	<u>650</u>	<u>-</u>	<u>2,825,292</u>
<b>Fund balances</b>									
Restricted	-	98,850	-	-	-	-	-	968,054	1,066,904
Assigned	355,043	-	22,044	-	-	-	22,352	-	399,439
Unassigned	-	-	-	(125,362)	-	(1,974,268)	-	-	(2,099,630)
<b>Total fund balances</b>	<u>355,043</u>	<u>98,850</u>	<u>22,044</u>	<u>(125,362)</u>	<u>-</u>	<u>(1,974,268)</u>	<u>22,352</u>	<u>968,054</u>	<u>(633,287)</u>
<b>Total liabilities and fund balances</b>	<u>\$ 364,043</u>	<u>\$ 114,448</u>	<u>\$ 22,238</u>	<u>\$ 395,097</u>	<u>\$ -</u>	<u>\$ 305,123</u>	<u>\$ 23,002</u>	<u>\$ 968,054</u>	<u>\$ 2,192,005</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue Funds				Capital Projects Funds		Permanent Fund		Total Non-Major Govt Funds
	Community Development Fund	Drug Forfeiture Fund	Recreation Special Programs Fund	Special Fund	Justice Center Fund	Capital Improvement Fund	Shade Tree Impr Fund	Cemetery Trust Fund	
Revenues									
Tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 644,171	\$ -	\$ -	\$ 644,171
Charges for services	-	-	846	-	-	-	-	43,076	43,922
Intergovernmental	301,326	-	-	2,175,129	236,745	16,159	-	-	2,729,359
Cell Tower revenue	-	-	-	-	-	35,203	-	-	35,203
Investment earnings	-	3,691	-	-	-	940	-	24,804	29,435
Donations	-	-	-	25,871	-	-	-	-	25,871
Total revenues	<u>301,326</u>	<u>3,691</u>	<u>846</u>	<u>2,201,000</u>	<u>236,745</u>	<u>696,473</u>	<u>-</u>	<u>67,880</u>	<u>3,507,961</u>
Expenditures									
General Government	-	8,841	-	65,411	-	1,090,634	-	-	1,164,886
Public Safety	-	5,418	-	-	236,745	-	-	-	242,163
Community Development	819,847	-	-	1,318,601	-	-	-	-	2,138,448
Culture and Recreation	-	-	905	-	-	-	650	-	1,555
Perpetual Care	-	-	-	-	-	-	-	6,767	6,767
(Gain)/loss on investments	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	28,533	-	1,175,546	-	-	1,204,079
Total Expenditures	<u>819,847</u>	<u>14,259</u>	<u>905</u>	<u>1,412,545</u>	<u>236,745</u>	<u>2,266,180</u>	<u>650</u>	<u>6,767</u>	<u>4,757,898</u>
Excess (deficiency) of revenues									
over/(under) expenditures	<u>(518,521)</u>	<u>(10,568)</u>	<u>(59)</u>	<u>788,455</u>	<u>-</u>	<u>(1,569,707)</u>	<u>(650)</u>	<u>61,113</u>	<u>(1,249,937)</u>
Transfers in (out)	<u>890,725</u>	<u>-</u>	<u>-</u>	<u>(840,819)</u>	<u>-</u>	<u>(191,025)</u>	<u>-</u>	<u>(20,850)</u>	<u>(161,969)</u>
Total other financing	<u>890,725</u>	<u>-</u>	<u>-</u>	<u>(840,819)</u>	<u>-</u>	<u>(191,025)</u>	<u>-</u>	<u>(20,850)</u>	<u>(161,969)</u>
Net changes in fund balances	<u>372,204</u>	<u>(10,568)</u>	<u>(59)</u>	<u>(52,364)</u>	<u>-</u>	<u>(1,760,732)</u>	<u>(650)</u>	<u>40,263</u>	<u>(1,411,906)</u>
Fund balances, June 30, 2015	<u>(17,161)</u>	<u>109,418</u>	<u>22,103</u>	<u>(72,998)</u>	<u>-</u>	<u>(213,536)</u>	<u>23,002</u>	<u>927,791</u>	<u>778,619</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2016	<u>\$ 355,043</u>	<u>\$ 98,850</u>	<u>\$ 22,044</u>	<u>\$ (125,362)</u>	<u>\$ -</u>	<u>\$ (1,974,268)</u>	<u>\$ 22,352</u>	<u>\$ 968,054</u>	<u>\$ (633,287)</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE VERMONT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes - general	\$ 7,315,750	\$ 7,623,195	\$ 307,445
PILOT	229,000	255,566	26,566
Licenses and permits	528,260	696,066	167,806
Fines and penalties	119,500	96,240	(23,260)
Federal and State grants	290,129	315,059	24,930
Charges for services	1,097,984	1,060,504	(37,480)
Rental and lease income	309,735	256,222	(53,513)
Interest income	4,500	5,477	977
Total revenues	9,894,858	10,308,329	413,471
<b>Expenditures</b>			
Administrative services	133,653	159,752	(26,099)
Aldrich Library	182,000	197,344	(15,344)
Animal control	12,500	7,887	4,613
City Assessor	76,767	74,624	2,143
City Auditorium	192,473	167,248	25,225
BOR recreation	183,423	247,435	(64,012)
Cemetery	176,171	194,685	(18,514)
City Hall Maintenance	127,172	114,779	12,393
City Clerk	191,494	201,994	(10,500)
City Manager	177,047	208,573	(31,526)
Community Development	94,000	101,278	(7,278)
Debt repayment	705,437	576,228	129,209
Elections	7,300	6,876	424
Engineering	199,979	71,584	128,395
Facilities	100,240	110,137	(9,897)
Fire Department	1,603,996	1,797,627	(193,631)
General services	124,712	107,186	17,526
Insurance	2,081,595	1,897,786	183,809

The notes to the financial statements are an integral part of this statement

CITY OF BARRE, VERMONT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Interest expense	193,207	195,198	(1,991)
Landfill	11,850	11,698	152
Legal expenses	35,250	80,163	(44,913)
Meters	62,227	94,591	(32,364)
Miscellaneous expense	100,270	128,780	(28,510)
Voter approved appropriations	143,401	183,676	(40,275)
Police dispatch	403,197	424,843	(21,646)
Pension expense	370,129	414,560	(44,431)
Police operations	1,691,155	1,694,402	(3,247)
Permitting, planning and inspection	146,509	104,836	41,673
Public Safety building	102,995	113,150	(10,155)
Recreation	105,350	98,652	6,698
Rent expense	6,000	14,079	(8,079)
Special projects	52,139	41,293	10,846
Streets	1,154,248	1,123,801	30,447
Traffic control	13,389	40,168	(26,779)
Unemployment insurance	21,968	23,205	(1,237)
Total expenditures	<u>10,983,243</u>	<u>11,030,118</u>	<u>(46,875)</u>
Excess of revenues over (under) expenditures	<u>(1,088,385)</u>	<u>(721,789)</u>	<u>366,596</u>
Other financing sources (uses)			
Transfers in (out)	<u>1,088,385</u>	<u>962,921</u>	<u>(125,464)</u>
Total other financing sources (uses)	<u>1,088,385</u>	<u>962,921</u>	<u>(125,464)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>241,132</u>	\$ <u>241,132</u>

The notes to the financial statements are an integral part of this statement

CITY OF BARRE  
BARRE, VERMONT  
INTERNAL CONTROL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016

Corrette & Associates, P. C.



# CORRETTE & ASSOCIATES

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

To the City Council  
City of Barre  
Barre, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Barre, 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 Barre, Vermont's basic financial statements and have issued our report thereon dated March 21, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

possibility that a material misstatement of the City of Barre's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Recommendations to be material weaknesses, 16-01, 16-02, 16-03, and 16-04.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies. 16-05, 16-06, and 16-07.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Barre, 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.

### 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The City of Barre's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Barre, Vermont's response and, accordingly, we express no opinion on them.

Corrette & Associates, P.C.  
Saint Johnsbury, Vermont  
March 21, 2017  
Vermont License # 92-0130

CITY OF BARRE  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2016

**Material Weaknesses**

16 – 01: Pooled Cash Accounts and Cash Reconciliations (repeat finding)

Condition: The City pools cash accounts across City funds and performs bank statement reconciliations with commingled funds. Further, the City commingles governmental cash assets with fiduciary cash assets - in violation of State statutes.

Criteria: Generally accepted accounting principles require that organizations establish procedures to correctly reconcile all bank statements and keep fiduciary funds separate from governmental funds.

Cause: The City has not established adequate cash management procedures and bank statement reconciliations that allow for governance and management of cash assets. Further, the City's general ledger presents cash accounts which do not represent cash held in financial institutions but rather interfund borrowing and lending between funds.

Effect: Cash balances reported on the City's general ledger are misleading and inaccurate creating understated and overstated equity balances for the involved funds.

Recommendation: The City must separately reconcile each bank statement and clearly label all cash accounts with reconciled balances.

Management Response: The City is working to resolve this issue. It has separated all fiduciary cash assets in separate accounts (LEPC #5, Keith Fund, Brusa Trust, Semprebon Funds, TIF increment funds), and will continue to work to identify any other similar funds and segregate them. This will allow for separate reconciliation of statements for the segregated funds.

16 – 02: Interfund Borrowing and Lending (repeat finding)

Condition: The City Treasurer executes interfund borrowing/lending between funds without Council approval or oversight and the City has not developed plans to resolve long-standing and material interfund balances.

Criteria: Generally accepted accounting principles, State Statute and City Policy require that all transactions executed by the Treasurer's office be authorized by the City Council.

Cause: The City has not established procedures to accurately authorize, monitor, or resolve material interfund borrowing and lending between funds.

Recommendation: The City should establish procedures to ensure all interfund borrowing and lending activity is authorized prior to execution and establish plans to resolve outstanding balances.

## **Material Weaknesses (continued)**

### 16 – 02: Interfund Borrowing and Lending (repeat finding) - continued

Management Response: The City is working to resolve this issue. The City Council at its June 7, 2016 meeting approved resolving due to/from issues between the water and sewer enterprise funds, and approved an Interfund Borrowing Policy. Work continues to establish a system by which the Clerk/Treasurer will report Interfund borrowing/lending to the Council on a regular basis, and will have Council authorize her actions. Additional due to/due from adjustments are also being considered.

### 16 – 03: Financial Statement and Budget Management (repeat finding)

Condition: The City has not developed adequate procedures for the management and oversight of its financial statements and financial activity. Revenues and related receivables are not recorded in a timely manner and fiscal year 2016 budget information was not updated in the general ledger until six months after the fiscal year ended. Unrecorded revenues misstate fund balance and incorrectly recorded budgetary information does not allow governance and management to properly assess the status of financial activity.

Criteria: Generally accepted accounting principles require organizations to develop processes to ensure accurate financial information is recorded and available for management's and governance's use in a timely manner.

Cause: The City has not established procedures to ensure the timely recording of revenues and receivables and has not established procedures for the timely recording of budgetary information in the general ledger.

Effect: Governance and management require timely and accurate financial information in order to properly monitor and manage City finances, without this information, accurate financial decision cannot be made.

Management Response: The City is working to resolve this issue. Several of the outstanding long-term invoices have been resolved, and requisition and reimbursement requests are being processed on a more timely basis. Additionally, the FY16 budget was entered into the NEMRC accounting module at the beginning of FY16, allowing for better budget management throughout the fiscal year.

### 16 – 04: Segregation of Duties – General Journal Entries (repeat finding)

Condition: General journal entries are recorded without independent review and approval. Prudent management requires that all activity reported through the general ledger be independently reviewed and approved prior to recording.

Criteria: Generally accepted accounting principles require organizations to establish segregation of duties to ensure accuracy and mitigate the risk of error and fraud.

Cause: The City has not established procedures to require independent review and approval.

### **Material Weaknesses (continued)**

Effect: Higher risk of error and fraud.

Recommendation: The City should establish procedures that require an independent review and written approval of all general journal entries prior to recording.

Management Response: The City is working to resolve this issue. The Clerk/Treasurer will begin to review the journal entries on a regular basis to ensure that they are being done properly and are appropriate.

### **Significant Deficiencies**

#### 16 – 05: Warrants Approved by Council Verbally (repeat finding)

Condition: Disbursement warrants are not retained, not sequential numbered, not signed by Council members when approved, and the amounts authorized in the warrants are not noted in the Council meeting minutes.

Criteria: Generally accepted accounting principles require that organizations establish adequate controls over disbursements to prevent or detect and correct misstatements due to fraud and error.

Cause: The City has not established adequate procedures to ensure only authorized disbursements are executed.

Effect: An incomplete assessment of the risks associated with disbursement cycle of financial transactions creates greater risk without increasing financial benefits.

Recommendation: The City should establish controls that ensure only authorized disbursements occur.

Management Response: The City is working to resolve this issue. The Clerk/Treasurer has implemented a system whereby the weekly warrants are sequentially numbered and archived on her computer, and the dollar amounts and sequential numbering are reflected in the Council minutes along with the Council's approval. A system of signed warrant cover pages will be implemented and archived along with the warrants.

#### 16 – 06: Financial Activity Cut-Off (repeat finding)

Condition: Incomplete recording of financial activity to the correct fiscal period.

Criteria: Generally accepted accounting principles require organizations to recognize revenues and expenses in consonance with their established bases of accounting.

Cause: The City has not established procedures to ensure all financial activity is recorded and reported in the correct fiscal period and in a timely manner.

**Significant Deficiencies (continued)**

16 – 06: Financial Activity Cut-Off (repeat finding) - continued

Effect: Inaccurate reporting of revenues and expenditures by fiscal year affects both fiscal years represented and calculation of federal expenditures for reporting required by OMB Circular A-133.

Recommendation: The City should establish procedures that require the identification of activity by fiscal year by developing cut-off procedures that support the appropriate basis of accounting.

Management Response: The City is working to resolve this issue. A 60 day cut off was established for the end of FY16, which was successful on the revenue side. It will be implemented fully for FY17.

16 – 07: Restricted Component of Permanent Fund (repeat finding)

Condition: The City has not been able to obtain complete records regarding the permanent and temporarily restricted components of Cemetery revenues.

Criteria: Generally accepted accounting principles require governments to maintain records that demonstrate the nature of any restrictions on revenues collected by the government.

Cause: The City did not establish procedures or effect oversight of activities related to the Cemetery revenues to distinguish between permanently and temporarily restricted revenues.

Effect: The City does not have adequate records to demonstrate compliance with the requirements of the law regarding restrictions on revenues.

Recommendation: The City should treat all current restrictions as permanently restricted to avoid the risk of spending monies that might be permanently restricted.

Management Response: The City resolved this issue during FY16. At its May 31, 2016 meeting, the City Council established the restricted components of the cemetery permanent funds.

CITY OF BARRE  
BARRE, VERMONT

SINGLE AUDIT REPORT IN  
ACCORDANCE WITH OMB CIRCULAR A-133  
FOR THE YEAR ENDED JUNE 30, 2016

Corrette & Associates, P. C.

CITY OF BARRE, VERMONT

TABLE OF CONTENTS

Independent Auditors' Single Audit Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	1 - 2
Schedule of expenditures of federal awards	3 - 4
Notes to schedule of expenditures of federal awards	5 - 6
Schedule of findings and questioned costs	7 - 11
Summary schedule of prior audit findings	12 - 15



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council  
City of Barre  
Barre, Vermont

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Barre, Vermont's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City of Barre, Vermont's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Barre, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Barre, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the City of Barre, Vermont's compliance.

### **Opinion on Each of the Major Federal Programs**

In our opinion, the City of Barre, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the City of Barre, Vermont is responsible for establishing and maintains effect internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Barre, Vermont's internal control over compliance with the types of requirement that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Barre, Vermont's internal control over compliance.

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

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

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

Corrette & Associates, P.C.  
St. Johnsbury, Vermont  
March 21, 2017  
Vermont License # 92-0130

**CITY OF BARRE, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Agency/Program Title</u>	<u>State Grant Contract #</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Expenditures</u>
<u>Subrecipients</u>			
U.S. Dept of Homeland Security passed thru VT Dept of Public Safety:			
Homeland Security Grant Pgm	EMW-2013-SS-013	97.067	\$ 41,666
Homeland Security Grant Pgm	EMW-2013-SS-063	97.067	<u>31,607</u>
<b>Total U. S. Dept of Homeland Security</b>			<b><u>73,273</u></b>
U.S. Dept of Justice – Direct Grants			
COPS Hiring Program	2013-UMWX0090	16.710	41,667
Bulletproof Vest 2014	OMB-1121-0235	16.607	6,049
Second Chance Act II Adult Recovery	2013-CZ-BX-032	16.812	15,000
Edward Byrne Memorial Assistance	2014-DJ-BX-0628	16.738	<u>11,136</u>
<b>Total U.S. Department of Justice</b>			<b><u>73,852</u></b>
U. S. Dept of Housing & Urban Develop passed through VT Hsg & Comm Affairs			
Downtown Barre Resiliency Program	DR-IG-2012	14.228	1,122,916
CDBG – Green Mtn Revolving Fund	07110-SS-2012	14.228	<u>271,326</u>
<b>Total U. S. Dept of Housing and Urban Development</b>			<b><u>1,394,242</u></b>
U.S. Department of Transportation - passed through the Vermont Agency of Transportation:			
Barre City TAP	CA0349	20.205	<u>23,705</u>
<b>Total U. S. Dept of Transportation</b>			<b><u>23,705</u></b>
Federal Safe Drinking Water Revolving Loan Fund -passed through VT Drinking Water State Revolving Loan Fund:			
Loan RF3-299	LOAN RFS-200	66.468	<u>1,198</u>
<b>Total Federal Safe Drinking Water Revolving Fund</b>			<b><u>1,198</u></b>

See accompanying notes to schedule of expenditures of federal awards

**CITY OF BARRE, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Agency/Program Title</u>	<u>State Grant Contract #</u>	Catalog of Federal Domestic Assistance <u>Number</u>	<u>Expenditures</u>
U.S. Environmental Protection Agency through Vermont Dept of Public Safety:			
Brownfields Cleanup Program	G1U8OQ00	66.818	200,000
Brownfields Cleanup Program	G1V1OQ00	66.818	200,000
Brownfields Cleanup Program	G1U9OQ00	66.818	<u>200,000</u>
<b>Total U.S. Environmental Protection Agency</b>			<b><u>600,000</u></b>
 <b>Total expenditures of federal awards</b>			 <b>\$ <u>2,166,270</u></b>

See accompanying notes to schedule of expenditures of federal awards

**CITY OF BARRE, VERMONT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1. Single Audit Reporting Entity**

The financial reporting entity, as defined by GASB codification, consists of the primary government, the City of Barre, Vermont, 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 exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

**NOTE 2. Summary of Significant Accounting Policies**

**A. Basis of presentation** – The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Barre, Vermont under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operation of the City of Barre, Vermont, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Barre, Vermont.

**B. Basis of accounting** – The City receives federal funds under various grant programs and records this activity in the proprietary and governmental funds using the basis of accounting of the reporting fund. The City of Barre, Vermont utilizes the full accrual basis of accounting for its proprietary funds and the modified accrual basis of accounting for all governmental funds. The accompanying schedule of expenditures of federal awards reflects the basis of accounting of the funds used by the City of Barre, Vermont.

**C. Major and nonmajor programs** – OMB Circular A-133 Compliance Supplement establishes criteria for determining major programs and selecting these federal programs to be tested for compliance with program requirements. The major programs selected and tested for the year ended June 30, 2016 were:

<u>Federal Agency/Department</u>	<u>Program</u>	<u>CFDA</u>
U. S. Housing & Urban Development	Brownfields Cleanup Program	66.818
U. S. Housing & Urban Development	Downtown Barre Resiliency Program	14.228

**CITY OF BARRE, VERMONT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**D. Subrecipients**

The City of Barre, Vermont provided \$286,326 in federal awards from the U. S. Department of Housing & Urban Development to the Central Vermont Community Land Trust to assist in providing low-income housing and provide homeowners with weatherization assistance; \$271,326 in federal awards from the U. S. Department of Justice to CIRCLE for the purpose of preventing domestic abuse; and \$15,000 in federal awards from the U. S. Department of Justice to Greater Barre Community Justice Center for the purpose of assisting in adult reintegration.

**CITY OF BARRE, VERMONT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**A. Summary of Audit Results**

1. The auditors' report expresses the following opinions on the financial statements of the City of Barre, Vermont, and were prepared in accordance with GAAP:

<u>Opinion Unit</u>	<u>Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Funds	Unmodified

2. We identified four material weaknesses and three significant deficiencies in internal controls during our audit of the City's financial statements.

3. We identified no instances of noncompliance material to the financial statements of the City of Barre, Vermont, which would be required to be reported in accordance with *Government Auditing Standards*, disclosed during the audit.

4. We identified no deficiencies in internal control over major federal programs disclosed during the audit as reported in the Independent Auditors' *Single Audit Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133*.

5. The auditors' report on compliance for the major federal programs of the City of Barre, Vermont expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.

7. The programs tested as major programs are:

<u>Federal Agency/Department</u>	<u>Program</u>	<u>CFDA</u>
U. S. Housing & Urban Development	Brownfields Cleanup Program	66.818
U. S. Housing & Urban Development	Downtown Barre Resiliency Program	14.228

8. The threshold used for distinguishing between Type A and B programs was \$750,000.

9. The City of Barre, Vermont does not qualify as a low-risk auditee.

**CITY OF BARRE, VERMONT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. Findings – Financial Statement Audit**

**Material Weaknesses**

16 – 01: Pooled Cash Accounts and Cash Reconciliations (repeat finding)

Condition: The City pools cash accounts across City funds and performs bank statement reconciliations with commingled funds. Further, the City comingles governmental cash assets with fiduciary cash assets - in violation of State statutes.

Criteria: Generally accepted accounting principles require that organizations establish procedures to correctly reconcile all bank statements and keep fiduciary funds separate from governmental funds.

Cause: The City has not established adequate cash management procedures and bank statement reconciliations that allow for governance and management of cash assets. Further, the City's general ledger presents cash accounts which do not represent cash held in financial institutions but rather interfund borrowing and lending between funds.

Effect: Cash balances reported on the City's general ledger are misleading and inaccurate creating understated and overstated equity balances for the involved funds.

Recommendation: The City must separately reconcile each bank statement and clearly label all cash accounts with reconciled balances.

Management Response: The City is working to resolve this issue. It has separated all fiduciary cash assets in separate accounts (LEPC #5, Keith Fund, Brusa Trust, Semprebond Funds, TIF increment funds), and will continue to work to identify any other similar funds and segregate them. This will allow for separate reconciliation of statements for the segregated funds.

16 – 02: Interfund Borrowing and Lending (repeat finding)

Condition: The City Treasurer executes interfund borrowing/lending between funds without Council approval or oversight and the City has not developed plans to resolve long-standing and material interfund balances.

Criteria: Generally accepted accounting principles, state statute and city policy require that all transactions executed by the Treasurer's office be authorized by the City Council.

Cause: The City has not established procedures to accurately authorize, monitor, or resolve material interfund borrowing and lending between funds.

Recommendation: The City should establish procedures to ensure all interfund borrowing and lending activity is authorized prior to execution and establish plans to resolve outstanding balances.



**CITY OF BARRE, VERMONT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**B. Findings – Financial Statement Audit (continued)**

**Material Weaknesses (continued)**

Management Response: The City is working to resolve this issue. The City Council at its June 7, 2016 meeting approved resolving due to/from issues between the water and sewer enterprise funds, and approved an Interfund Borrowing Policy. Work continues to establish a system by which the Clerk/Treasurer will report Interfund borrowing/lending to the Council on a regular basis, and will have Council authorize her actions. Additional due to/due from adjustments are also being considered.

16 – 03: Financial Statement and Budget Management (repeat finding)

Condition: The City has not developed adequate procedures for the management and oversight of its financial statements and financial activity. Revenues and related receivables are not recorded in a timely manner and fiscal year 2016 budget information was not updated in the general ledger until six months after the fiscal year ended. Unrecorded revenues misstate fund balance and incorrectly recorded budgetary information does not allow governance and management to properly assess the status of financial activity.

Criteria: Generally accepted accounting principles require organizations to develop processes to ensure accurate financial information is recorded and available for management's and governance's use in a timely manner.

Cause: The City has not established procedures to ensure the timely recording of revenues and receivables and has not established procedures for the timely recording of budgetary information in the general ledger.

Effect: Governance and management require timely and accurate financial information in order to properly monitor and manage City finances, without this information, accurate financial decision cannot be made.

Management Response: The City is working to resolve this issue. Several of the outstanding long-term invoices have been resolved, and requisition and reimbursement requests are being processed on a more timely basis. Additionally, the FY16 budget was entered into the NEMRC accounting module at the beginning of FY16, allowing for better budget management throughout the fiscal year.

16 – 04: Segregation of Duties – General Journal Entries (repeat finding)

Condition: General journal entries are recorded without independent review and approval. Prudent management requires that all activity reported through the general ledger be independently reviewed and approved prior to recording.

**CITY OF BARRE, VERMONT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. Findings – Financial Statement Audit (continued)**

**Material Weaknesses (continued)**

16 – 04: Segregation of Duties – General Journal Entries (repeat finding) - continued

Criteria: Generally accepted accounting principles require organizations to establish segregation of duties to ensure accuracy and mitigate the risk of error and fraud.

Cause: The City has not established procedures to require independent review and approval.

Effect: Higher risk of error and fraud.

Recommendation: The City should establish procedures that require an independent review and written approval of all general journal entries prior to recording.

Management Response: The City is working to resolve this issue. The Clerk/Treasurer will begin to review the journal entries on a regular basis to ensure that they are being done properly and are appropriate.

**Significant Deficiencies**

16 – 05: Warrants Approved by Council Verbally (repeat finding)

Condition: Disbursement warrants are not retained, not sequential numbered, not signed by Council members when approved, and the amounts authorized in the warrants are not noted in the Council meeting minutes.

Criteria: Generally accepted accounting principles adequate controls over disbursements to prevent or detect and correct misstatements due to fraud and error.

Cause: The City has not established adequate procedures to ensure only authorized disbursements are executed.

Effect: An incomplete assessment of the risks associated with disbursement cycle of financial transactions creates greater risk without increasing financial benefits.

Recommendation: Establish controls that ensure only authorized disbursements occur.

Management Response: The City is working to resolve this issue. The Clerk/Treasurer has implemented a system whereby the weekly warrants are sequentially numbered and archived on her computer, and the dollar amounts and sequential numbering are reflected in the Council minutes along with the Council's approval. A system of signed warrant cover pages will be implemented and archived along with the warrants.

**CITY OF BARRE, VERMONT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. Findings – Financial Statement Audit (continued)**

**Significant Deficiencies (continued)**

16 – 06: Financial Activity Cut-Off (repeat finding)

Condition: Incomplete recording of financial activity to the correct fiscal period.

Criteria: Generally accepted accounting principles require organizations to recognize revenues and expenses in consonance with their established bases of accounting.

Cause: The City has not established procedures to ensure all financial activity is recorded and reported in the correct fiscal period and in a timely manner.

Effect: Inaccurate reporting of revenues and expenditures by fiscal year affects both fiscal years represented and calculation of federal expenditures for reporting required by OMB Circular A-133.

Recommendation: The City should establish procedures that require the identification of activity by fiscal year by developing cut-off procedures that support the appropriate basis of accounting.

Management Response: The City is working to resolve this issue. A 60 day cut off was established for the end of FY16, which was successful on the revenue side. It will be implemented fully for FY17.

16 – 07: Restricted Component of Permanent Fund (repeat finding)

Condition: The City has not been able to obtain complete records regarding the permanent and temporarily restricted components of Cemetery revenues.

Criteria: Generally accepted accounting principles require governments to maintain records that demonstrate the nature of any restrictions on revenues collected by the government.

Cause: The City did not establish procedures or effect oversight of activities related to the Cemetery revenues to distinguish between permanently and temporarily restricted revenues.

Effect: The City does not have adequate records to demonstrate compliance with the requirements of the law regarding restrictions on revenues.

Recommendation: The City should treat all current restrictions as permanently restricted to avoid the risk of spending monies that might be permanently restricted.

Management Response: The City resolved this issue during FY16. At its May 31, 2016 meeting, the City Council established the restricted components of the cemetery permanent funds.

**CITY OF BARRE, VERMONT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Material Weaknesses**

15 – 01: Pooled Cash Accounts and Cash Reconciliations

Condition: The City pools cash accounts across City funds and performs bank statement reconciliations with commingled funds. Further, the City commingles governmental cash assets with fiduciary cash assets - in violation of State statutes.

Criteria: Generally accepted accounting principles require that organizations establish procedures to correctly reconcile all bank statements and keep fiduciary funds separate from governmental funds.

Cause: The City has not established adequate cash management procedures and bank statement reconciliations that allow for governance and management of cash assets. Further, the City's general ledger presents cash accounts which do not represent cash held in financial institutions but rather interfund borrowing and lending between funds.

Effect: Cash balances reported on the City's general ledger are misleading and inaccurate creating understated and overstated equity balances for the involved funds.

Recommendation: The City must separately reconcile each bank statement and clearly label all cash accounts with reconciled balances.

Current Status: Unresolved.

15 – 02: Interfund Borrowing and Lending.

Condition: The City Treasurer executes interfund borrowing/lending between funds without Council approval or oversight and the City has not developed plans to resolve long-standing and material interfund balances.

Criteria: Generally accepted accounting principles, state statute and city policy require that all transactions executed by the Treasurer's office be authorized by the City Council.

Cause: The City has not established procedures to accurately authorize, monitor, or resolve material interfund borrowing and lending between funds.

Recommendation: The City should establish procedures to ensure all interfund borrowing and lending activity is authorized prior to execution and establish plans to resolve outstanding balances.

Current Status: Unresolved.

**CITY OF BARRE, VERMONT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. Findings – Financial Statement Audit (continued)**

**Material Weaknesses (continued)**

15 – 03: Financial Statement and Budget Management

Condition: The City has not developed adequate procedures for the management and oversight of its financial statements and financial activity. Revenues and related receivables are not recorded in a timely manner and fiscal year 2015 budget information was not updated in the general ledger until six months after the fiscal year ended. Unrecorded revenues misstate fund balance and incorrectly recorded budgetary information does not allow governance and management to properly assess the status of financial activity.

Criteria: Generally accepted accounting principles require organizations to develop processes to ensure accurate financial information is recorded and available for management's and governance's use in a timely manner.

Cause: The City has not established procedures to ensure the timely recording of revenues and receivables and has not established procedures for the timely recording of budgetary information in the general ledger.

Effect: Governance and management require timely and accurate financial information in order to properly monitor and manage City finances, without this information, accurate financial decision cannot be made.

Current Status: Unresolved.

15 – 04: Segregation of Duties – General Journal Entries

Condition: General journal entries are recorded without independent review and approval. Prudent management requires that all activity reported through the general ledger be independently reviewed and approved prior to recording.

Criteria: Generally accepted accounting principles require organizations to establish segregation of duties to ensure accuracy and mitigate the risk of error and fraud.

Cause: The City has not established procedures to require independent review and approval.

Effect: Higher risk of error and fraud.

Recommendation: The City should establish procedures that require an independent review and written approval of all general journal entries prior to recording.

Current Status: Unresolved.

**CITY OF BARRE, VERMONT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. Findings – Financial Statement Audit (continued)**

**Significant Deficiencies**

15 – 05: Warrants Approved by Council Verbally

Condition: Disbursement warrants are not retained, not sequential numbered, not signed by Council members when approved, and the amounts authorized in the warrants are not noted in the Council meeting minutes.

Criteria: Generally accepted accounting principles adequate controls over disbursements to prevent or detect and correct misstatements due to fraud and error.

Cause: The City has not established adequate procedures to ensure only authorized disbursements are executed.

Effect: An incomplete assessment of the risks associated with disbursement cycle of financial transactions creates greater risk without increasing financial benefits.

Recommendation: Establish controls that ensure only authorized disbursements occur.

Current Status: Unresolved.

15 – 06: Inadequate Controls over Capital Assets

Condition: Incomplete historical capital assets records and inadequate tracking of current capital asset activity.

Criteria: Generally accepted accounting principles require organizations to track, record, and report the acquisition of all capital assets.

Cause: The City has not established procedures to accurately record, report and monitor all capital asset activity for acquisitions and dispositions.

Effect: Misreported expenditures and capital asset disbursements.

Recommendation: The City should establish procedures for the monitoring and reporting of capital assets for both general government capital assets and proprietary capital assets.

Current Status: Resolved.

**CITY OF BARRE, VERMONT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. Findings – Financial Statement Audit (continued)**

**Significant Deficiencies (continued)**

15 – 07: Financial Activity Cut-Off

Condition: Incomplete recording of financial activity to the correct fiscal period.

Criteria: Generally accepted accounting principles require organizations to recognize revenues and expenses in consonance with their established bases of accounting.

Cause: The City has not established procedures to ensure all financial activity is recorded and reported in the correct fiscal period and in a timely manner.

Effect: Inaccurate reporting of revenues and expenditures by fiscal year affects both fiscal years represented and calculation of federal expenditures for reporting required by OMB Circular A-133.

Recommendation: The City should establish procedures that require the identification of activity by fiscal year by developing cut-off procedures that support the appropriate basis of accounting.

Current Status: Unresolved.

15 – 08: Restricted Component of Permanent Fund

Condition: The City has not been able to obtain complete records regarding the permanent and temporarily restricted components of Cemetery revenues.

Criteria: Generally accepted accounting principles require governments to maintain records that demonstrate the nature of any restrictions on revenues collected by the government.

Cause: The City did not establish procedures or effect oversight of activities related to the Cemetery revenues to distinguish between permanently and temporarily restricted revenues.

Effect: The City does not have adequate records to demonstrate compliance with the requirements of the law regarding restrictions on revenues.

Recommendation: The City should treat all current restrictions as permanently restricted to avoid the risk of spending monies that might be permanently restricted.

Current Status: Resolved