

CITY OF BARRE, VERMONT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Corrette & Associates, P.C.

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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, 2015, 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 2015, 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 13 and page 54 through 55 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 52 through 53 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 February 16, 2016 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
February 16, 2016
Vermont License # 92-130

**CITY OF BARRE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015**

Presented is the Management Discussion & Analysis Report for the City of Barre, Vermont for the fiscal year ending June 30, 2015. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) 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 result 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 Semprebbon 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 appropriation 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, 2015 are as follows:

Current and other assets:	
Capital Assets	\$59,930,391
Other assets	<u>6,811,828</u>
Total assets	<u>66,742,219</u>
Current and other liabilities:	
Long-term bonds and capital leases payable	14,747,261
Accrued pension and vacation benefits payable	2,715,111
Other liabilities	<u>3,163,146</u>
Total liabilities	<u>20,625,518</u>
Net assets:	
Invested in capital assets, net of related debt	45,894,555
Restricted for specific purposes	1,037,209
Unrestricted	<u>(815,063)</u>
Total net assets	\$ <u>46,116,701</u>

Statement of Activities

Change in net assets for the year ending June 30, 2015 are as follows:

General revenues:	
Property Tax assessments	\$ 7,177,925
Delinquent taxes, penalties and interest	1,083,751
State and Federal grants	1,189,702
Charges for services	1,638,532
Interest and investment earnings	157,205
PILOT	235,514
Water and Sewer Funds	4,437,053
Miscellaneous	<u>391,808</u>
Total revenues - governmental & business-type	\$ <u>16,311,490</u>
General Expenses:	
General Government	8,219,009
Public works	1,434,622
Public safety	3,821,586
Community development	487,468
Culture and recreation	622,627
Cemetery	270,469
Water and Sewer Funds	3,067,394
Debt service	<u>1,196,417</u>
Total program expenses	\$ <u>19,119,592</u>
Net income before operating transfers	<u>(2,808,102)</u>

Operating Transfers	<u>1,878,557</u>
Change in net assets	<u>(929,545)</u>
Net assets – beginning of year, as stated	\$ <u>48,801,255</u>
Prior period adjustment	\$ <u>(1,755,009)</u>
Net assets – beginning of year, restated	\$ <u>47,046,246</u>
Net assets – end of year	\$ <u>46,116,701</u>

City Activities

As shown in the above Statement of Activities there was a decrease in net assets of \$929,545. 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.

The General Fund shows a fund deficit of \$246,130. This is an increase of \$69,799, due in large part to the following:

- The Barre City Council decided to carry the accrued cemetery debt of \$524,878, making repayments of \$26,244/year for the next twenty years beginning in FY15.
- Two key staffing positions (Director of Public Works and City Planner) were vacant for all of FY15, thereby contributing to a surplus in the FY15 budget-to-actuals.

There was a less than 1% difference between the budgeted and actual revenues, with actuals running higher than budgeted. Actual expenses were 3% less than budgeted. Some of the more significant areas of interest are:

- Administrative services ran over by more than 25% due to changes in staffing that required the hiring of a consultant for several months.
- Cemetery expenses ran under by 15% due to the recent reconfiguration of the department and changes in salaries.
- Debt repayment ran over by 15% due primarily to unanticipated expenses associated with mold remediation at the BOR rink facility.
- Engineering ran under by 42% due to the unfilled Director of Public Works position.
- Interest expenses ran under by 7% due primarily to changes in the way the interest payment for the tax anticipation note was booked.
- Voter approved appropriations ran under by 20% due to changes in the way the expenses were booked.
- Police dispatch ran under by 6% due to lower than anticipated staffing expenses.
- Permitting, planning and inspection expenses ran under by 51% due to the unfilled City Planner position.
- Recreation ran under by 10% due to lower expenses for summer pool employees, recreation supplies, and recreation programs.
- Rental expense ran over by 723% due to changes in the way rental payments were booked.

- Special projects ran over by 132% due to the way certain expenses were bundled for booking.
- Streets ran over by 9% due to higher-than-anticipated expenses for road salt, truck maintenance, culverts, and heating oil.
- Traffic control ran over by 243% due to unanticipated repairs.

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 2015 the City had a reduction in bonds and long term debt of \$593,024 from principal payments made during the year. Capital leases showed a net decrease of \$39,989. Accrued vacation and post-retirement benefits payable increased by \$494,788 due to implementation of Government Accounting Standards requiring recognition of future pension liabilities. See Note IV in the Basic Financial Statements for a summary of all outstanding long-term obligations.

Economic Factors, Rates and 2015 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, scheduled for completion in summer 2016. The Center will house the offices of Downstreet Housing and Community Development and offer low and moderate income housing units. The combined municipal/education tax rate for FY16 increased less than 2% - 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 FY16 budget include two new part-time positions in the parking enforcement department. 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.

Comparative Analysis: As this is the first year the City has completed the Management Discussion & Analysis subsequent years will include comparative information.

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.

FINANCIAL STATEMENTS

CITY OF BARRE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and equivalents	\$ 1,062,199	\$ 128,480	\$ 1,190,679
Receivables	603,510	2,239,120	2,842,630
Investments	2,260,055	-	2,260,055
Prepaid expenses	189,128	-	189,128
Inventories	67,778	260,959	328,737
Interfund balances	(743,534)	744,133	599
Total current assets	<u>3,439,136</u>	<u>3,372,692</u>	<u>6,811,828</u>
Non-current Assets			
Capital assets not being depreciated			
Land	3,019,377	303,669	3,323,046
Works of art	272,184	-	272,184
Capital assets, net of depreciation	<u>30,588,734</u>	<u>25,746,427</u>	<u>56,335,161</u>
Total non-current assets	<u>33,880,295</u>	<u>26,050,096</u>	<u>59,930,391</u>
Total assets	<u>37,319,431</u>	<u>29,422,788</u>	<u>66,742,219</u>
LIABILITIES			
Current Liabilities			
Accounts payable	581,486	937,069	1,518,555
Accrued expenses	1,032,836	163,720	1,196,556
Deferred revenue	23,906	270	24,176
Current portion of long-term debt	580,857	357,593	938,450
Total current liabilities	<u>2,219,085</u>	<u>1,458,652</u>	<u>3,677,737</u>
Non-current Liabilities			
Long-term liabilities			
Short-term debt	2,200,000	1,338,970	3,538,970
Long-term lease payable	311,425	-	311,425
Long-term debt	4,108,789	8,988,597	13,097,386
Total non-current liabilities	<u>6,620,214</u>	<u>10,327,567</u>	<u>16,947,781</u>
Total liabilities	<u>8,839,299</u>	<u>11,786,219</u>	<u>20,625,518</u>
NET POSITION			
Invested in capital assets, net	29,190,649	16,703,906	45,894,555
Restricted for:			-
Specific purposes	1,037,209	-	1,037,209
Unrestricted	(1,747,726)	932,663	(815,063)
Total net position	<u>\$ 28,480,132</u>	<u>\$ 17,636,569</u>	<u>\$ 46,116,701</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, 2015

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		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 8,219,009	\$ 514,463	\$ 424,605	\$ 5,432	\$ (7,274,509)	\$ -	\$ (7,274,509)
Public safety	3,821,586	928,771	24,400	165,301	(2,703,114)	-	(2,703,114)
Public works	1,434,622	-	-	180,148	(1,254,474)	-	(1,254,474)
Community development	487,468	-	304,457	-	(183,011)	-	(183,011)
Culture and recreation	622,627	31,723	1,758	83,601	(505,545)	-	(505,545)
Cemetery	270,469	163,575	-	-	(106,894)	-	(106,894)
Debt service	872,311	-	-	-	(872,311)	324,106	(548,205)
Total governmental activities	15,728,092	1,638,532	755,220	434,482	(12,899,858)	324,106	(12,575,752)
Business-type activities							
Water and Sewer Funds	3,067,394	4,437,053	-	-	-	1,369,659	1,369,659
Total primary governmental	\$ 18,795,486	\$ 6,075,585	\$ 755,220	\$ 434,482	(12,899,858)	1,045,553	(11,206,093)
General revenues:							
					7,177,925	-	7,177,925
					1,083,751	-	1,083,751
					157,205	-	157,205
					235,514	-	235,514
					391,808	-	391,808
					2,681,713	(803,156)	1,878,557
					11,727,916	(803,156)	10,924,760
					(1,171,942)	242,397	(929,545)
					31,065,611	17,735,644	48,801,255
					(1,413,537)	(341,472)	(1,755,009)
					29,652,074	17,394,172	47,046,246
					\$ 28,480,132	\$ 17,636,569	\$ 46,116,701

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, 2015

Total Fund Balances - Governmental Funds	\$ <u>301,999</u>
Capital assets in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	44,671,776
Accumulated depreciation has not been included in the governmental fund financial statements.	(10,791,481)
Accrued liabilities represent non-current activity and are not reported in the governmental funds, however, are included in the Statement of Net Position.	(808,741)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,001,071)
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>107,650</u>
Net Position of Governmental Activities	\$ <u><u>28,480,132</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, 2015

Total Net Changes in Fund Balances - Governmental Funds	\$ <u>(935,949)</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>	
	1,304,292
<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>	
	(1,612,854)
<p>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>	
	(614,156)
<p>Revenues and receivables in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.</p>	
	107,650
<p>Repayment of debt is reported in the fund financial statements but is removed from the government-wide Statement of Activities</p>	
	<u>579,075</u>
Change in Net Position of Governmental Activities	\$ <u><u>(1,171,942)</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, 2015

	General Fund	TIF District Fund	Semprebou Fund	Non- Major Govt Funds	Total Govt Funds
ASSETS					
Cash and					
cash equivalents	\$ 1,005	\$ 922,921	\$ -	\$ 138,271	\$ 1,062,197
Receivables	376,916	-	-	118,944	495,860
Investments	-	-	1,357,319	902,736	2,260,055
Prepaid expenses	189,128	-	-	-	189,128
Inventory	46,978	-	-	20,800	67,778
Due from other funds	-	-	-	154,956	154,956
Total assets	<u>614,027</u>	<u>922,921</u>	<u>1,357,319</u>	<u>1,335,707</u>	<u>4,229,974</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	257,127	90,249	2,043	234,214	583,633
Accrued expenditures	221,947	-	-	14,239	236,186
Deferred revenue	9,666	-	-	-	9,666
Short-term debt	-	2,200,000	-	-	2,200,000
Due to other funds	371,417	-	218,438	308,635	898,490
Total liabilities	<u>860,157</u>	<u>2,290,249</u>	<u>220,481</u>	<u>557,088</u>	<u>3,927,975</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	1,037,209	1,037,209
Committed	-	-	1,136,838	-	1,136,838
Assigned	-	(1,367,328)	-	45,105	(1,322,223)
Unassigned	(246,130)	-	-	(303,695)	(549,825)
Total fund balances	<u>(246,130)</u>	<u>(1,367,328)</u>	<u>1,136,838</u>	<u>778,619</u>	<u>301,999</u>
Total liabilities and fund balances	<u>\$ 614,027</u>	<u>\$ 922,921</u>	<u>\$ 1,357,319</u>	<u>\$ 1,335,707</u>	<u>\$ 4,229,974</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, 2015

	General Fund	TIF District Fund	Semprebon Fund	Non- Major Govt Funds	Total Govt Funds
Revenues					
Taxes - general	\$ 7,260,032	\$ -	\$ -	\$ 835,500	\$ 8,095,532
Fines and forfeitures	120,663	-	-	-	120,663
PILOT	235,514	-	-	-	235,514
Licenses and permits	598,505	-	-	-	598,505
Federal/State grants	264,725	-	-	1,161,064	1,425,789
Charges for services	1,042,645	-	-	1,534	1,044,179
Investment earnings	-	15,920	86,009	31,110	133,039
Rental income	282,556	-	-	35,567	318,123
Donations	-	-	-	41,942	41,942
Miscellaneous	5,580	-	-	-	5,580
Total revenues	<u>9,810,220</u>	<u>15,920</u>	<u>86,009</u>	<u>2,106,717</u>	<u>12,018,866</u>
Expenditures					
Admin services	176,301	-	-	-	176,301
Aldrich Library	124,669	-	-	-	124,669
Animal control	7,108	-	-	-	7,108
City Assessor	73,797	-	-	-	73,797
City Auditorium	237,930	-	-	-	237,930
BOR recreation	171,025	-	-	-	171,025
Cemetery	244,068	-	-	17,275	261,343
City Hall Maint	120,644	-	-	-	120,644
City Clerk	171,407	-	-	-	171,407
City Manager	175,853	-	-	-	175,853
Comm Development	69,468	-	-	330,083	399,551
Debt repayment	593,024	-	-	30,841	623,865
Street lighting	140,326	-	-	-	140,326
Elections	9,837	-	-	-	9,837
Engineering	113,132	-	75,932	-	189,064
Facilities	83,730	-	-	-	83,730
Fire Department	1,670,119	-	-	-	1,670,119
General services	111,467	-	-	523,535	635,002
Insurance	1,936,644	-	-	-	1,936,644

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	Semprebon Fund	Non- Major Govt Funds	Total Govt Funds
(continued)					
Interest expense	210,764	-	-	-	210,764
Landfill	11,704	262,803	-	-	274,507
Legal expenses	36,125	-	-	-	36,125
Meters	61,748	-	-	-	61,748
Miscellaneous	22,656	-	-	-	22,656
Appropriations	139,892	-	-	-	139,892
Police dispatch	402,715	-	-	-	402,715
Pension expense	374,146	-	-	-	374,146
Police operations	1,594,167	-	-	-	1,594,167
Permitting	83,881	195,392	-	-	279,273
Public Safety	103,518	668,345	-	599,580	1,371,443
Recreation	87,454	-	-	-	87,454
Rent expense	13,997	-	-	-	13,997
Culture and Rec	33,764	-	-	408,206	441,970
Streets	1,181,161	-	-	-	1,181,161
Investment Gain/(loss)	-	-	-	11,087	11,087
Traffic control	46,651	-	-	-	46,651
Total expenditures	<u>10,634,892</u>	<u>1,126,540</u>	<u>75,932</u>	<u>1,920,607</u>	<u>13,757,971</u>
Excess of revenues over (under) expenditures	<u>(824,672)</u>	<u>(1,110,620)</u>	<u>10,077</u>	<u>186,110</u>	<u>(1,739,105)</u>
Other financing sources/(us Transfers in	<u>901,072</u>	<u>147,902</u>	<u>(196,000)</u>	<u>(49,818)</u>	<u>803,156</u>
Total other financing sources/(uses)	<u>901,072</u>	<u>147,902</u>	<u>(196,000)</u>	<u>(49,818)</u>	<u>803,156</u>
Net change in fund balance	<u>76,400</u>	<u>(962,718)</u>	<u>(185,923)</u>	<u>136,292</u>	<u>(935,949)</u>
Fund balances, June 30, 2014, as stated	<u>(315,929)</u>	<u>1,795,390</u>	<u>1,322,761</u>	<u>729,295</u>	<u>3,531,517</u>
Prior period adjustment	<u>(6,601)</u>	<u>(2,200,000)</u>	<u>-</u>	<u>(86,968)</u>	<u>(2,293,569)</u>
Fund balances, June 30, 2014, restated	<u>(322,530)</u>	<u>(404,610)</u>	<u>1,322,761</u>	<u>642,327</u>	<u>1,237,948</u>
Fund balances, June 30, 2015	<u>\$ (246,130)</u>	<u>\$ (1,367,328)</u>	<u>\$ 1,136,838</u>	<u>\$ 778,619</u>	<u>\$ 301,999</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, 2015

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS			
Current Assets			
Cash	\$ 23,277	\$ 105,203	\$ 128,480
Accounts receivable, net	1,761,311	477,809	2,239,120
Inventories	209,563	51,396	260,959
Due From other funds	-	2,115,703	2,115,703
Total current assets	<u>1,994,151</u>	<u>2,750,111</u>	<u>4,744,262</u>
Non-current Assets			
Property and equipment, net	<u>15,330,146</u>	<u>10,719,950</u>	<u>26,050,096</u>
Total non-current assets	<u>15,330,146</u>	<u>10,719,950</u>	<u>26,050,096</u>
Total assets	<u>17,324,297</u>	<u>13,470,061</u>	<u>30,794,358</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	261,632	675,437	937,069
Accrued expenses	83,699	80,021	163,720
Deferred revenue	270	-	270
Due to other funds	1,371,570	-	1,371,570
Short-term debt	1,338,970	-	1,338,970
Current portion of long-term debt	244,133	113,460	357,593
Total current liabilities	<u>3,300,274</u>	<u>868,918</u>	<u>4,169,192</u>
Non-current Liabilities			
Long-term debt	<u>7,128,913</u>	<u>1,859,684</u>	<u>8,988,597</u>
Total non-current liabilities	<u>7,128,913</u>	<u>1,859,684</u>	<u>8,988,597</u>
Total liabilities	<u>10,429,187</u>	<u>2,728,602</u>	<u>13,157,789</u>
Net Position			
Invested in capital assets, net of related debt	7,957,100	8,746,806	16,703,906
Assigned	-	-	-
Unrestricted	<u>(1,061,990)</u>	<u>1,994,653</u>	<u>932,663</u>
Total net position	<u>\$ 6,895,110</u>	<u>\$ 10,741,459</u>	<u>\$ 17,636,569</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, 2015

	Water Fund	Sewage Disposal Fund	Total Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
Operating revenues			
Charges for services	\$ 2,273,815	\$ 1,620,732	\$ 3,894,547
State revenues	396,836	346	-
Miscellaneous income	119,769	25,555	145,324
Total operating revenues	<u>2,790,420</u>	<u>1,646,633</u>	<u>4,437,053</u>
Operating expenses			
Operating, maintenance, and general	1,157,436	1,187,686	2,345,122
Depreciation	406,088	316,184	722,272
Total operating expenses	<u>1,563,524</u>	<u>1,503,870</u>	<u>3,067,394</u>
Operating income (loss)	<u>1,226,896</u>	<u>142,763</u>	<u>1,369,659</u>
Nonoperating income/(expense)			
Interest expense	<u>(261,234)</u>	<u>(62,872)</u>	<u>(324,106)</u>
Total nonoperating income/(expenses)	<u>(261,234)</u>	<u>(62,872)</u>	<u>(324,106)</u>
Income (loss) before transfers	<u>965,662</u>	<u>79,891</u>	<u>1,045,553</u>
Operating transfers in (out)	<u>(401,578)</u>	<u>(401,578)</u>	<u>(803,156)</u>
Change in net position	<u>564,084</u>	<u>(321,687)</u>	<u>242,397</u>
Total net position - June 30, 2014, as stated	<u>6,348,468</u>	<u>11,387,176</u>	<u>17,735,644</u>
Prior period adjustment	<u>(17,442)</u>	<u>(324,030)</u>	<u>(341,472)</u>
Total net position - June 30, 2014, restated	<u>6,331,026</u>	<u>11,063,146</u>	<u>17,394,172</u>
Total net position, June 30, 2015	<u>\$ 6,895,110</u>	<u>\$ 10,741,459</u>	<u>\$ 17,636,569</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, 2015

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 1,801,982	\$ 1,945,164	\$ 3,747,146
Cash paid to suppliers	(757,840)	(783,625)	(1,541,465)
Cash paid for wages and benefits	(502,038)	(454,859)	(956,897)
Cash received from operating grants	396,566	346	396,912
Cash received from miscellaneous revenues	119,769	25,555	145,324
Net cash provided (used) by operating activities	<u>1,058,439</u>	<u>732,581</u>	<u>1,791,020</u>
Cash Flows From Noncapital Financing Activities			
Cash received (paid) through operating transfers	<u>(401,578)</u>	<u>(401,578)</u>	<u>(803,156)</u>
Net cash provided (used) by noncapital and related financing activities	<u>(401,578)</u>	<u>(401,578)</u>	<u>(803,156)</u>
Cash Flows From Capital and Related Financing Activities			
Cash proceeds for capital grants	-	-	-
Cash paid for acquisition/construction of capital assets	(720,171)	62,677	(657,494)
Cash received (paid) for interfund capital transfers	(205,924)	(422,914)	(628,838)
Cash paid for principal on capital debt	485,861	(118,443)	367,418
Cash paid for interest on capital debt	(261,234)	(62,872)	(324,106)
Net cash provided (used) by capital & related financing activities	<u>(701,468)</u>	<u>(541,552)</u>	<u>(1,243,020)</u>
Net increase (decrease) in cash and cash equivalents	<u>(44,607)</u>	<u>(210,549)</u>	<u>(255,156)</u>
Cash at June 30, 2014	67,884	315,752	383,636
Cash at June 30, 2015	<u>\$ 23,277</u>	<u>\$ 105,203</u>	<u>\$ 128,480</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities			
Operating income	\$ 1,226,896	\$ 142,763	\$ 1,369,659
Adjustments to reconcile operating income to cash flows from operating activities			
Depreciation expense	406,088	316,183	722,271
(Increase) decrease in accounts receivable	(471,833)	319,023	(152,810)
(Increase) decrease in inventories	(32,653)	(6,045)	(38,698)
(Increase) decrease in prepaids	-	-	-
Increase (decrease) in accounts payables	(71,590)	(58,585)	(130,175)
Increase (decrease) in accrued expenses	1,261	19,242	20,503
Increase (decrease) in deferred revenue	270	-	270
Net Adjustments	<u>(168,457)</u>	<u>589,818</u>	<u>421,361</u>
Net cash provided (used) by operating activities	<u>\$ 1,058,439</u>	<u>\$ 732,581</u>	<u>\$ 1,791,020</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, 2015

	Private-Purpose Trust Funds			Agency Funds
	Youth Public Safety Fund	Keith Fund	Brusa Fund	Local Emergency Planning Commission # 5 Fund
ASSETS				
Cash and cash equivalents	\$ 2,354	\$ -	\$ 3,330	\$ 12,748
Investments	-	18,838	94,387	-
Due from other funds	1,707	-	-	-
Total assets	<u>4,061</u>	<u>18,838</u>	<u>97,717</u>	<u>12,748</u>
LIABILITIES				
Due to Other Funds	-	2,306	-	-
Deferred revenue	-	-	-	12,748
Held for the benefit of others	-	-	-	-
Total liabilities	<u>-</u>	<u>2,306</u>	<u>-</u>	<u>12,748</u>
NET POSITION				
Assets held in trust for others	<u>4,061</u>	<u>16,532</u>	<u>97,717</u>	<u>-</u>
Total net position	<u>\$ 4,061</u>	<u>\$ 16,532</u>	<u>\$ 97,717</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, 2015

	Private-Purpose Trust Funds		
	Youth Public Safety Fund	Keith Fund	Brusa Fund
Additions			
Member contributions	\$ -	\$ -	\$ -
Investment earnings	<u>14</u>	<u>61</u>	<u>92</u>
Total Additions	<u>14</u>	<u>61</u>	<u>92</u>
Deductions			
Disbursements	<u>-</u>	<u>2,036</u>	<u>2,035</u>
Total deductions	<u>-</u>	<u>2,036</u>	<u>2,035</u>
		-	-
Changes in net position	<u>14</u>	<u>(1,975)</u>	<u>(1,943)</u>
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in net assets	<u>14</u>	<u>(1,975)</u>	<u>(1,943)</u>
Net position, beginning	<u>4,047</u>	<u>18,507</u>	<u>99,660</u>
Net position, ending	<u>\$ 4,061</u>	<u>\$ 16,532</u>	<u>\$ 97,717</u>

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

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 4th 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, 2015

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, 2015, General Fund actual revenues exceeded budgeted revenues by \$90,556 and budgeted expenditures exceeded actual expenditures by \$324,581. The net decrease to the General Fund before operating transfers of \$901,072 was \$824,672, with a net increase in the General Fund was \$76,400.

B. Deficit/surplus fund equity

There is a net surplus in the governmental Statement of Net Position for Governmental Activities of \$28,441,143, with an unrestricted deficit of \$1,786,715.

The General Fund has a deficit of \$246,130, the Tax Incremental Financing District Fund (TIF) has a deficit of \$1,367,328 – resolved subsequent to year end when the City obtained long-term financing. The Water Fund has an overall surplus of \$6,895,110 with an unrestricted deficit of \$1,061,990, the Community Development Fund has a deficit of \$17,161, the Special Fund has a deficit of \$72,998, and the Capital Improvement Fund has a deficit of \$213,536. The City plans to resolve these deficits through normal operations. The remaining funds of the government have surpluses for the year ended June 30, 2015.

Note III. Deposits and Investments

A. Cash, Cash Equivalents, and Investments

At June 30, 2015, the carrying amount of the City's deposits with financial institutions was \$1,209,111, and the total balance reported by these institutions was \$2,793,710. These deposits are held in checking accounts, savings accounts, and money market accounts. Of the funds on deposit, \$515,506 was insured by the Federal Deposit Insurance Corporation (FDIC), and \$1,245,540 was collateralized.

At June 30, 2015 the City's had investments of \$2,373,281. Of these amounts, \$18,838 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, 2015

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, 2015, the City's investments were all Category 1.

Note IV. Detailed Notes on All Funds

A. Notes Receivable

Notes receivable as of June 30, 2015 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-collectibility	<u>(2,202,220)</u>
Reported value as of June 30, 2015	\$ <u><u>-</u></u>

CITY OF BARRE, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

B. Allowance for Uncollectible Receivables

Delinquent taxes represent property taxes outstanding at June 30, 2015. 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, 2015, 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 uncollectibility. 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, 2015 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 335,656
Water Fund	-	1,371,570
Sewer Fund	2,115,703	-
Recreation Special Programs	22,238	-
Community Development Fund	-	25,629
Drug Forfeiture Fund	11,367	-
Youth Public Safety Fund	1,707	-
Keith Fund	-	2,305
Cemetery Trust Fund	121,351	-
Special Revenues Fund	-	173,732
Capital Projects Fund	-	145,036
Semprebon Fund	-	218,438
	\$ <u>2,272,366</u>	\$ <u>2,272,366</u>

As part of the City's interfund borrowing and lending, the City executed two formal promissory notes between the Capital Fund and the Sewer Fund at 1/4% interest rate. The repayment of these notes is \$5,000 from 2011 through 2015 and \$35,000 a year from fiscal year 2011 through fiscal year 2020.

CITY OF BARRE, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

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 to reimburse 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, 2015:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Water Fund	\$ 401,578
General Fund	Sewer Fund	401,578
General Fund	Cemetery Trust Fund	21,014
TIF	General Fund	147,902
Capital Improvement Fund	General Fund	111,397
Semprebon Fund	General Fund	196,000

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 455,006. Annual depreciation for this year for the City’s capital lease assets is \$21,939 and accumulated depreciation on this equipment totaled \$52,620.

2. Operating leases – The City his committed under 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 2015 was \$79,559. 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 2015 was \$144,799.

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

<u>Year</u>	<u>Capital Lease Payments</u>	<u>Operating Lease Payments</u>
2016	\$ 61,535	\$ 8,105
2017	61,535	8,105
2018	50,552	3,985
2019	50,552	1,519
2020	50,552	1,433
2021 – 2025	<u>101,196</u>	<u>-</u>
Total	\$ <u>375,922</u>	\$ <u>23,147</u>

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

E. Capital Assets Activity

Capital asset activity of the City for the year ended June 30, 2015 is as follows:

<u>Governmental activities:</u>	Beginning <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	Ending <u>Balance</u>
Capital Assets, not being depreciated:				
Land, non-depreciable	\$ 1,670,778	\$ 1,348,599	\$ -	\$ 3,019,377
Works of Art	236,384	35,800	-	272,184
Construction in Progress	<u>1,559,386</u>	<u>-</u>	<u>1,559,386</u>	<u>-</u>
Total, Capital Assets not being Depreciated	<u>3,466,548</u>	<u>1,384,399</u>	<u>1,559,386</u>	<u>3,291,561</u>
Capital Assets, being depreciated:				
Building and Building Improv	8,646,484	10,400	-	8,656,884
Veh, Mach, Equip and Furniture	6,708,283	518,275	-	7,226,558
Infrastructure	24,847,440	28,031	194,559	24,680,912
Cemetery Developments	<u>823,929</u>	<u>-</u>	<u>8,068</u>	<u>815,861</u>
Totals	<u>41,026,136</u>	<u>556,706</u>	<u>202,627</u>	<u>41,380,215</u>
Less accumulated depreciation:				
Buildings and Building Improv	2,156,283	151,501	-	2,307,784
Veh, Mach, Equip and Furniture	3,606,772	476,017	-	4,082,789
Infrastructure	3,145,892	980,246	-	4,126,138
Cemetery Developments	<u>269,680</u>	<u>5,090</u>	<u>-</u>	<u>274,770</u>
Total accumulated depreciation	<u>9,178,627</u>	<u>1,612,854</u>	<u>-</u>	<u>10,791,481</u>
Total Capital Assets, being Depreciated	<u>31,847,509</u>	<u>(1,056,148)</u>	<u>202,627</u>	<u>30,992,988</u>
Total Capital assets, net	\$ <u>35,314,057</u>	\$ <u>328,251</u>	\$ <u>1,762,013</u>	\$ <u>33,880,295</u>
 <u>Business-type activities:</u>	 <u>Beginning</u>	 <u>Increase</u>	 <u>Decrease</u>	 <u>Ending</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
<u>Water Fund</u>				
Capital Assets, not being depreciated:				
Land	\$ 220,571	\$ -	\$ 25,902	\$ 194,669
Construction in Progress	<u>48,551</u>	<u>-</u>	<u>48,551</u>	<u>-</u>
Total Capital Assets not being depreciated	<u>269,122</u>	<u>-</u>	<u>74,453</u>	<u>194,669</u>
Capital Assets, being depreciated:				
Buildings and Building Improvements	10,194	-	-	10,194
Veh, Mach, Equip, and Furniture	264,881	-	-	264,881
Infrastructure	-	1,080,735	-	1,080,735

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

E. Capital Assets Activity (continued)

Business-type activities: (continued)

Water Fund (continued)

Distribution and Collection Sys	<u>21,481,653</u>	<u>108,295</u>	<u>-</u>	<u>21,589,948</u>
Total Capital Assets being	<u>21,756,728</u>	<u>1,189,030</u>	<u>-</u>	<u>22,945,758</u>
Depreciated				
Total Accumulated depreciation	<u>7,404,193</u>	<u>406,088</u>	<u>-</u>	<u>7,810,281</u>
Total Capital Assets, being				
Depreciated	<u>14,352,535</u>	<u>782,942</u>	<u>-</u>	<u>15,135,477</u>
Capital assets, net	\$ <u>14,621,657</u>	\$ <u>782,942</u>	\$ <u>74,453</u>	\$ <u>15,330,146</u>

Sewer Fund

Capital Assets, not being depreciated:

Land	\$ 109,000	\$ -	\$ -	\$ 109,000
Construction in Progress	<u>4,214</u>	<u>-</u>	<u>4,214</u>	<u>-</u>
Total Capital Assets not being depreciated	<u>113,214</u>	<u>-</u>	<u>4,214</u>	<u>109,000</u>

Capital Assets, being depreciated:

Buildings and Building Improv	449,365	-	-	449,365
Veh, Mach, Equip, and Furniture	1,446,653	73,149	-	1,519,802
Distribution and Collection System	<u>13,826,074</u>	<u>179,162</u>	<u>-</u>	<u>14,005,236</u>
Total Capital Assets being	<u>15,722,091</u>	<u>252,311</u>	<u>-</u>	<u>15,974,403</u>
Depreciated				
Total Accumulated depreciation	<u>5,047,269</u>	<u>316,183</u>	<u>-</u>	<u>5,363,453</u>
Total Capital Assets, being				
Depreciated	<u>10,674,822</u>	<u>(63,872)</u>	<u>-</u>	<u>10,610,950</u>
Capital assets, net	\$ <u>10,788,036</u>	\$ <u>(63,872)</u>	\$ <u>4,214</u>	\$ <u>10,719,950</u>

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

<u>Business-type Activities</u>		<u>Government Activities</u>	
Water	\$ 406,088	General Government	\$ 1,215,207
Sewer	<u>316,183</u>	Public Safety	283,037
Total	\$ <u>722,271</u>	Highways and streets	85,270
		Culture and recreation	<u>29,340</u>
		Total	\$ <u>1,612,854</u>

CITY OF BARRE, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

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, 2015:

	<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
1.35% Bond Anticipation Note with People's United Bank in the amount of \$2,200,000 due August 2015	2,200,000	-	-	2,200,000
.083% Tax Anticipation Note with Community National Bank in the amount of \$1,142,800 due June 30, 2015.	<u>-</u>	<u>1,142,800</u>	<u>1,142,800</u>	<u>-</u>
Total Short-term debt	\$ <u>3,538,970</u>	\$ <u>1,142,800</u>	\$ <u>1,142,800</u>	\$ <u>3,538,970</u>

Governmental Activities

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. Bonds activity is reported in the fund financial statements if the debt is expected to be repaid from general governmental revenues and reported in the business-type activities if the debt is expected to be repaid from proprietary fund revenues.

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.

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

G. Long-Term Debt

The following is long-term debt activity for the year ended June 30, 2015:

	<u>06/30/14</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/15</u> <u>Balance</u>
<u>General – Government Long-Term Debt</u>				
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	\$ 125,000	\$ -	\$ 25,000	\$ 100,000
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.	240,000	-	30,000	210,000
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.	2,535,000	-	195,000	2,340,000
1.391% 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.	975,000	-	175,000	800,000
0.8% 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.	672,857	-	38,571	634,286

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

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.	50,000	-	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	52,000	-	3,250	48,750
2.5% note payable from Community National Bank with annual principal and interest payments of \$26,907 payable December 20 through December 2018	125,000	-	25,000	100,000
2.83% Granite Museum Bond with TD Bank with monthly principal and interest payments of \$6,286 through September 2021.	<u>493,863</u>	<u>-</u>	<u>62,253</u>	<u>431,610</u>
Total governmental long-term debt:	\$ <u>5,268,720</u>	\$ <u>-</u>	\$ <u>579,074</u>	\$ <u>4,689,646</u>

Business-type Activities

	06/30/14		06/30/15
<u>Water Fund</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
3.93% Vermont Municipal Bond for water system construction with biannual variable principal and interest payments maturing December 2034.	\$ 6,057,297	\$ -	\$ 190,934
-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	235,083	-	14,439
			220,644

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note IV. Detailed notes on all funds (continued)

G. Long-Term Debt (continued)

1.324% Vermont Municipal Bond Bank for North Main St. improvements with variable principal and Interest payments maturing November 2031.	261,966	-	15,018	246,949
-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	-	-	332,840
-3.0% Vermont Municipal Bond for Water System Trestle project with annual payments of \$20,483 maturing November 2045.	706,254	-	-	706,254

Sewer Fund

3.93% Vermont Municipal Bond Bank for Sewer System Construction with biannual variable principal and interest payments maturing December 2027.	1,286,718	-	74,106	1,212,612
1.324% Vermont Municipal Bond Bank for North Main St. improvements with variable principal and Interest payments maturing November 2031.	635,177	-	36,411	598,766
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>169,691</u>	<u>-</u>	<u>7,924</u>	<u>161,762</u>
Total business-type long-term debt	\$ <u>9,685,026</u>	\$ <u>-</u>	\$ <u>338,831</u>	\$ <u>9,346,190</u>
Total long-term debt				\$ <u>14,035,836</u>
Less current portion				<u>938,450</u>
Long-term portion				\$ <u>13,097,386</u>

CITY OF BARRE, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

G. Long-Term Debt (continued)

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	\$ 938,450	\$ 472,288	\$ 1,410,738
2017	975,175	465,232	1,440,407
2018	954,458	431,992	1,386,450
2019	966,394	398,032	1,364,426
2020	929,909	363,057	1,292,966
2021-2025	3,688,177	1,357,454	5,045,631
2026-2030	3,011,177	680,158	3,691,335
2031-2035	2,298,310	196,279	2,494,589
2036-2040	140,204	-	140,204
2041-2045	<u>133,582</u>	<u>-</u>	<u>133,582</u>
Total	<u>\$14,035,836</u>	<u>\$ 4,364,492</u>	<u>\$ 18,400,328</u>

During fiscal year 2015 long-term debt interest expense was \$536,254.

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 deficit 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, 2015 balance of \$498,634 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, 2015 was \$5,707,862, and \$35,300, respectively.

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note IV. Detailed Notes on All Funds (continued)

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 \$40,949 at June 30, 2015.

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 parking ticket receivables	6,601
Tax Incremental District Fund	Debt incorrectly presented as long-term	(2,200,000)
Capital Improvement Fund	Overstated grant receivables	(86,968)
Water Fund	Correction of capital assets	(17,442)
Sewer Fund	Overstated unbilled receivables	(333,102)
Sewer Fund	Correction of capital assets	<u>9,072</u>
		<u>(324,030)</u>

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	\$ (194,586)
Correction of General capital assets	(1,086,210)
Debt incorrectly presented as long-term	2,200,000
Understated accrued expenses	(39,172)
Overstated parking ticket receivables	(6,601)
Overstated grant receivables	<u>(86,968)</u>
	\$ <u>786,463</u>

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2014 extended through June 30, 2015 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, 2015 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. The amount of funding the City will expend for the year ended June 30, 2016 is \$40,275.

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.

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.

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note V. Other Information (continued)

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 2015 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 contributions up to a maximum of 4% of earnings. The City's total payroll for fiscal year 2015 was \$5,668,223 and its payroll for employees covered by the pension plan was \$600,391. During the year ended June 30, 2015, the City contributed \$14,658 and employees contributed \$64,876. 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 Rquired 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.

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 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, 2015, 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.

CITY OF BARRE, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note V. Other Information (continued)

C. Vermont Municipal Employees Retirement System (continued)

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

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, 2015 are:

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Group B		
07/01/2014 – 12/31/2014	5.375%	4.750%
01/01/2015 – 06/30/2015	5.375%	4.750%
Group C		
07/01/2014 – 12/31/2014	6.875%	9.625%
01/01/2015 – 06/30/2015	7.000%	9.750%

Employee contributions are withheld by the City and are remitted to the State of Vermont. The City contributed \$286,143 and employees contributed \$356,373 during the year. The City's total payroll for all employees during the year was \$5,668,223, with \$4,477,325 of such amount related to employees covered by the Vermont Municipal Employees Retirement System.

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, 2015 was \$166,613.

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note V. Other Information (continued)

E. Gift Annuity

The City receives a perpetual annual gift of \$50,000 from an annuity established by the late Charles Semprebon 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.

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 approval 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, 2015, the City borrowed \$1,200,000 in a Tax Anticipation Note from Community National Bank at 0.74% due June 30, 2016.

On July 23, 2015, the City borrowed \$1,700,000 in a Grant Anticipation Note from Merchants Bank at 1.8% due January 01, 2016.

On August 15, 2015, the City paid of the TIF Bond Anticipation Note of \$2,200,000.

On August 19, 2015, the City purchased a fire truck from HME, Inc. for \$799,999.

On September 29, 2015, the City borrowed \$1,123,430 in a Current Expense Note from Merchants Bank at 1.95% due on March 29, 2016.

CITY OF BARRE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note V. Other information (continued)

G. Subsequent Events (continued)

On October 14, 2015, the City borrowed \$609,736 in a Spillway Refinancing Note from Community National Bank at 2.25% with maturity in October 2025. This borrowing refinanced the 2014 Current Expense Note and separated it into two separate promissory notes; the first is the 2015 Current Expense Note and the second is this ten-year refinancing note.

On November 02, 2015, the City entered into a lease agreement with Thygesen Sports, Inc. to lease a pro shop at 25 Auditorium Hill for the 2015 – 2016 ice season. Thygesen is to pay the City \$735 for this lease.

On December 10, 2015, the City was notified by the Office of the Inspector General of the U. S. Dept of Health and Human Services that the City filed inappropriate Medicare claims through public safety activities. To expedite resolution and avoid litigation costs, the OIG and City agree that the City will pay \$127,670 to the U. S. Dept of Health and Human Services; one payment of \$63,835 in December 2015 and the balance due on or before July 31, 2016.

Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosures through February 16, 2016 the date the financial statements were available to be issued.

CITY OF BARRE, VERMONT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	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	Fund Cemetery Trust Fund	
ASSETS									
Cash	\$ 8,468	\$ 3,707	\$ -	\$ -	\$ -	\$ 103,094	\$ 23,002	\$ -	\$ 138,271
Investments	-	96,296	-	-	-	-	-	806,440	902,736
Receivables	-	350	-	118,594	-	-	-	-	118,944
Inventory	-	-	-	-	-	20,800	-	-	20,800
Due from other funds	-	11,367	22,238	-	-	-	-	121,351	154,956
Total Assets	<u>8,468</u>	<u>111,720</u>	<u>22,238</u>	<u>118,594</u>	<u>-</u>	<u>123,894</u>	<u>23,002</u>	<u>927,791</u>	<u>1,335,707</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	-	2,302	135	3,621	-	228,156	-	-	234,214
Deferred revenue	-	-	-	14,239	-	-	-	-	14,239
Due to other funds	25,629	-	-	173,732	-	109,274	-	-	308,635
Total Liabilities	<u>25,629</u>	<u>2,302</u>	<u>135</u>	<u>191,592</u>	<u>-</u>	<u>337,430</u>	<u>-</u>	<u>-</u>	<u>557,088</u>
Fund balances									
Restricted	-	109,418	-	-	-	-	-	927,791	1,037,209
Assigned	-	-	22,103	-	-	-	23,002	-	45,105
Unassigned	(17,161)	-	-	(72,998)	-	(213,536)	-	-	(303,695)
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 8,468</u>	<u>\$ 111,720</u>	<u>\$ 22,238</u>	<u>\$ 118,594</u>	<u>\$ -</u>	<u>\$ 123,894</u>	<u>\$ 23,002</u>	<u>\$ 927,791</u>	<u>\$ 1,335,707</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, 2015

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 835,500	\$ -	\$ -	\$ 835,500
Charges for services	-	-	1,534	-	-	-	-	-	1,534
Intergovernmental	304,457	8,269	-	527,153	214,245	106,940	-	-	1,161,064
Cell Tower revenue	-	-	-	-	-	35,567	-	-	35,567
Investment earnings	-	3,194	76	-	-	2,331	84	25,425	31,110
Donations	-	-	-	15,698	-	-	-	26,244	41,942
Total revenues	<u>304,457</u>	<u>11,463</u>	<u>1,610</u>	<u>542,851</u>	<u>214,245</u>	<u>980,338</u>	<u>84</u>	<u>51,669</u>	<u>2,106,717</u>
Expenditures									
General Government	-	-	-	523,535	-	-	-	-	523,535
Public Safety	-	3,616	-	285,336	214,245	96,383	-	-	599,580
Community Development	330,083	-	-	-	-	-	-	-	330,083
Culture and Recreation	-	-	779	28,297	-	378,895	235	-	408,206
Perpetual Care	-	-	-	-	-	-	-	17,275	17,275
(Gain)/loss on investments	-	1,962	-	-	-	-	-	9,125	11,087
Debt service	-	-	-	29,231	-	1,610	-	-	30,841
Total Expenditures	<u>330,083</u>	<u>5,578</u>	<u>779</u>	<u>866,399</u>	<u>214,245</u>	<u>476,888</u>	<u>235</u>	<u>26,400</u>	<u>1,920,607</u>
Excess (deficiency) of revenues									-
over/(under) expenditures	<u>(25,626)</u>	<u>5,885</u>	<u>831</u>	<u>(323,548)</u>	<u>-</u>	<u>503,450</u>	<u>(151)</u>	<u>25,269</u>	<u>186,110</u>
Transfers in (out)	-	-	-	-	-	(28,804)	-	(21,014)	(49,818)
Total other financing	-	-	-	-	-	(28,804)	-	(21,014)	(49,818)
Net changes in fund balances	<u>(25,626)</u>	<u>5,885</u>	<u>831</u>	<u>(323,548)</u>	<u>-</u>	<u>474,646</u>	<u>(151)</u>	<u>4,255</u>	<u>136,292</u>
Fund balances, June 30, 2014	<u>8,465</u>	<u>103,533</u>	<u>21,272</u>	<u>250,550</u>	<u>-</u>	<u>(601,214)</u>	<u>23,153</u>	<u>923,536</u>	<u>729,295</u>
Prior period adjustment	-	-	-	-	-	(86,968)	-	-	(86,968)
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>

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)
Revenues			
Taxes - general	\$ 7,141,583	\$ 7,260,032	\$ 118,449
PILOT	227,935	235,514	7,579
Licenses and permits	548,672	598,505	49,833
Fines and penalties	91,600	120,663	29,063
Federal and State grants	319,319	264,725	(54,594)
Charges for services	1,010,510	1,042,645	32,135
Rental and lease income	308,535	282,556	(25,979)
Interest income	3,500	3,312	(188)
Miscellaneous	68,000	2,268	(65,732)
Total revenues	9,719,654	9,810,220	90,566
Expenditures			
Administrative services	138,890	176,301	(37,411)
Aldrich Library	122,000	124,669	(2,669)
Animal control	14,600	7,108	7,492
City Assessor	77,510	73,797	3,713
City Auditorium	221,750	237,930	(16,180)
BOR recreation	181,735	171,025	10,710
Cemetery	211,383	244,068	(32,685)
City Hall Maintenance	125,208	120,644	4,564
City Clerk	187,437	171,407	16,030
City Manager	191,999	175,853	16,146
Community Development	94,000	69,468	24,532
Debt repayment	701,191	593,024	108,167
Street lighting	128,000	140,326	(12,326)
Elections	10,400	9,837	563
Engineering	194,434	113,132	81,302
Facilities	94,486	83,730	10,756
Fire Department	1,638,874	1,670,119	(31,245)
General services	125,012	111,467	13,545
Insurance	2,029,109	1,936,644	92,465

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	226,858	210,764	16,094
Landfill	11,566	11,704	(138)
Legal expenses	32,250	36,125	(3,875)
Meters	64,891	61,748	3,143
Miscellaneous expense	3,300	618	2,682
Voter approved appropriations	175,201	139,892	35,309
Police dispatch	430,112	402,715	27,397
Pension expense	373,665	374,146	(481)
Police operations	1,642,149	1,594,167	47,982
Permitting, planning and inspection	171,508	83,881	87,627
Public Safety building	103,404	103,518	(114)
Recreation	97,609	87,454	10,155
Rent expense	1,700	13,997	(12,297)
Special projects	15,000	33,764	(18,764)
Streets	1,086,536	1,181,162	(94,626)
Traffic control	13,600	46,650	(33,050)
Unemployment insurance	22,106	22,038	68
Total expenditures	<u>10,959,473</u>	<u>10,634,892</u>	<u>324,581</u>
Excess of revenues over (under) expenditures	<u>(1,239,819)</u>	<u>(824,672)</u>	<u>415,147</u>
Other financing sources (uses)			
Transfers in (out)	<u>887,916</u>	<u>901,072</u>	<u>13,156</u>
Total other financing sources (uses)	<u>887,916</u>	<u>901,072</u>	<u>13,156</u>
Net change in fund balance	<u>\$ (351,903)</u>	<u>76,400</u>	<u>\$ 428,303</u>
Fund balance, June 30, 2014, as stated		<u>(315,929)</u>	
Prior period adjustment		<u>(6,601)</u>	
Fund balance, June 30, 2014, restated		<u>(322,530)</u>	
Fund balance, June 30, 2015		<u><u>\$ (246,130)</u></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, 2015

Corrette & Associates, P. C.

CORRETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 4039 • St. Johnsbury, VT 05819 •

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FAX (802) 748 - 2497

**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, 2015, 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 February 16, 2016.

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, 15-01, 15-02, 15-03, and 15-04.

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. 15-05, 15-06, 15-07, and 15-08.

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
February 16, 2016
Vermont License # 92-0130

CITY OF BARRE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2015

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.

Management Response: The auditor reviewed his concerns with the Clerk/Treasurer. This is the way the City has handled its accounting for as long as anyone can remember. The auditor's recommendation is to separate fiduciary cash assets into separate accounts. The City has begun this process by separating the LEPC #5 funds into their own money market account, and the TIF funds will be moved into a separate account also. The Keith, Brusa and Youth Public Safety funds are all in separate bank accounts. The City will work with the auditor to identify any other similar funds and segregate them. This will allow for separate reconciliation of statements for the segregated funds.

Additionally, the auditor is working with the Senior Accounting Clerk to clarify cash and reconciliations processes.

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.

Management Response: This has been practice for as long as anyone can remember. The auditor's recommendation is to have the Council authorize the Clerk/Treasurer to execute interfund borrowing/lending on an as needed basis. This allows the /Clerk/Treasurer to manage cash flow across the various funds. The Clerk/Treasurer will establish a system by which she reports interfund borrowing/lending to the Council on a regular basis and will have Council authorize her actions.

Interfund borrowing/lending has left several funds with negative balances, some of which have been negative for quite some time. The auditor recommends that the Council consider current fund balances and make some adjustments, perhaps forgiving some of the debt between funds.

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.

Management Response: This reference is to the unbilled accounts payables, i.e. Hilltop Avenue, Barre Town, Nelson Street hydro project. It also references unresolved issues such as the Orange Reservoir Spillway Project and "Big Dig" (State of Vermont North Main Street Reconstruction Project). This situation has arisen not out of neglect, but due to a number of factors, including the lack of staff (i.e. Finance Assistant/Director), an unprecedented number of capital improvement projects underway simultaneously, or to the very complexities of many of these projects and/or the administrative requirements of grant administration and the reimbursement process. Since the receipt of the Draft Audit Report, the Hilltop Avenue Buyouts

Project has been billed and reimbursed to the project limit (\$381,000+/-). An amendment is being prepared to seek reimbursement of a small overrun of approximately \$5,000 due to the unforeseeably and atypically large amount and high cost of asbestos remediation in one of the buy-out properties.

Partial reimbursements have been received on the Nelson Street Hydro Project. Staff is currently working through belated final pay requests, change order requests and close out documentation from the contractor to seek final City reimbursement on this project. In addition, State response to reimbursement request and project administration has been less than timely due to a severe loss of staff in the Facilities Engineering Construction Division in the Department of Environmental Conservation.

Partial reimbursements have been received on the Orange Reservoir Spillway Project, which was invoiced in full on/about March of 2015. The delay in final reimbursements stems from both the extended State/FEMA review/response time to the final reimbursement request, compounded by the time intervals for City staff to respond to iterative requests for additional documentation to prior submissions. We continue to respond to FEMA requests for additional information as quickly as we are able as they are received.

Regarding the Big Dig, the City is still awaiting final cost accounting and billing from the Agency of Transportation in order to determine the appropriate cost sharing and reimbursement due from the Town of Barre.

Billings to the Town of Barre for the two Wastewater Treatment Facility improvement projects (Digester Cover Repair, HVAC System Upgrade) have languished, again due to limited staffing, workload and competing priorities. That said, the Town of Barre has been notified on multiple occasions that billings will be forthcoming and the estimated amount due. This billing will be prepared within the next 30-45 days.

Lastly, it addresses when budget data is given to the senior accounting clerk for data entry into the NEMRC accounting module. Without timely information, department heads and the manager cannot track budget to actual figures through the year. Additionally, with the budget information being given to the senior accounting clerk half-way through the year, there is a fair amount of time spent by her in reconciling what has been booked in the first six months of the year with changes that are included in the budget being entered. The late entry generally requires a number of journal adjustments. Significant time has been spent in improving the budget modeling and development mechanics by the City Manager in preparation of the FY17 Budget that should facilitate timely budget set-up for the new Fiscal Year. Accordingly, the new budget will be processed as soon as practicable after it is approved by the voters, and given to the senior accounting clerk in advance of the new fiscal year. Further, additional staff have been oriented to the grants administration and reimbursement process, and along with the pending addition of a Finance Assistant, it is anticipated that requisition and reimbursement requests will be submitted on a more timely basis, and contingent upon the project schedules and timing, hopefully within fiscal year in which they occurred.

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.

Management Response: The senior accounting clerk performs a large number of journal adjustments for a variety of reasons; correcting errors, handling accounts receivables, transferring funds between city accounts. Each such transaction should have the approval of the Manager or Clerk/Treasurer. To reduce the number of journal entries, the City has purchased the NEMRC accounts receivables module, but has yet to begin using it. The Clerk/Treasurer will get the AR module up and running by the first of May 2016. The Clerk/Treasurer will also begin to review the journal entries on a regular basis to ensure that they are being done properly and are appropriate. In addition, the City Manager is proceeding in the 4th quarter of this Fiscal year to hire a part-time Finance Assistant who will assist in financial oversight and monitoring duties, including the possibility of journal entry oversight under the Clerk or Manager's purview.

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 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 auditor addressed this issue with the Clerk/Treasurer during his field work. 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. On the weeks when the Council doesn't meet and the Mayor or other designated Councilor signs the warrants, the sequential number and dollar amounts are brought to the Council the following week for ratification and are reflected in the minutes.

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.

Management Response: The auditor reviewed the capital assets and his concerns with the Clerk/Treasurer and Senior Accounting Clerk. The Clerk/Treasurer will perform regular review of all City purchases to ensure that all purchased capital items of \$5,000 or more are so identified and catalogued.

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.

Management Response: On advice of the auditor, the Clerk/Treasurer recommends that the City adopt a 60 day cut off – any revenues or expenses received sixty or more days after the end of the fiscal year will be booked in the subsequent fiscal year. This will allow for cleaner, clearer accounting, and will facilitate a smoother annual audit.

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.

Management Response: Before July 1 2012, the city cemeteries were controlled by an independent Cemetery Commission. Due to a charter change, the cemeteries were absorbed into the general fund and general operations of the City as of July 1, 2012. In accepting the cemeteries, assets and bookkeeping, the City has attempted to determine the restricted component of the various permanent funds: cemetery general fund, flower fund, mausoleum fund and St. Monica Cemetery fund. All permanent funds are on deposit with Edward Jones financial management, having been transferred there in 2007. To avoid spending an indeterminate amount of time and unbudgeted money on a forensic audit, the Clerk/Treasurer recommends the Council set the restricted funds balances at the amounts transferred to Edward Jones in 2007, along with all deposits made subsequent to that transfer. Any funds on account above those amounts will be available for the uses as intended by each fund.