

CITY OF VERGENNES, VERMONT  
AUDIT REPORT AND FINANCIAL STATEMENTS  
JUNE 30, 2015  
TABLE OF CONTENTS

	<u>Page #</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1 - 3
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet – Governmental Funds	Exhibit A 4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit B 5
Statement of Revenues, Expenditures and Changes in Fund Balance – Compared to Budget - General Fund	Exhibit C 6
<b>NOTES TO FINANCIAL STATEMENTS</b>	7 - 18
<b>SUPPLEMENTARY SCHEDULES</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Compared to Budget – General Fund	Schedule 1 19 - 23
Combining Balance Sheet – Other Governmental Funds	Schedule 2 24 - 26
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	Schedule 3 27 – 29
<b>INTERNAL CONTROL AND COMPLIANCE REPORT</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30 - 31

# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
Donald J. Murray, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Vergennes  
Vergennes, Vermont

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Vergennes, Vermont as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise a portion of the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Adverse Opinion on Financial Statements as a Whole**

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America, specifically GASB 34 and GASB 37, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from transactions for the City's governmental activities and business-type activities are not reasonably determinable.

Management has chosen not to follow GASB 54 "Fund Balance Reporting and Governmental Fund Type Definition" which is used to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Management has chosen not to follow GASB 68 "Accounting and Financial Reporting for Pensions" which is used to improve accounting and financial reporting for pensions. The statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The City treats the Sewer Fund as a Special Revenue Fund rather than an Enterprise Fund. Accounting principles generally accepted in the United States of America require funds financed with user charges to be treated as Enterprise Funds. This principle requires accounting similar to commercial enterprises, such as capitalization and depreciation of capital assets. Accordingly, the accompanying financial statements are not intended to present financial positions and results of operations of the Sewer Fund in conformity with accounting principles generally accepted in the United States of America.

## **Adverse Opinion**

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on Financial Statements as a Whole" paragraph, the financial statements referred to above do not present fairly the financial position of the City of Vergennes, Vermont as of June 30, 2015, or the changes in financial position or the budget comparison thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other-Matters**

### *Required Supplementary Information*

Management has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, basic financial statements.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Schedules 1 – 3 are presented for purposes of additional analysis and are not a required part of the financial statements.

Schedules 1 – 3 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the matters discussed above, we are not expressing an opinion on the supplementary schedules.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,



FOTHERGILL SEGALE & VALLEY, CPAs  
Montpelier, Vermont  
Vermont Public Accountancy License #110

December 21, 2015

CITY OF VERGENNES, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

EXHIBIT A

	Major Funds					Total Governmental Funds
	General Fund	Sewer Fund	Watershed Fund	Community Development Fund	Ray E. Davison Fund	
<b>ASSETS</b>						
Cash and investments	\$ 288,481	\$ 0	\$ 360,203	\$ 0	\$ 228,270	\$ 1,548,391
Receivables						
Property taxes	66,434	0	0	0	0	66,434
Grant receivable	16,265	0	0	0	0	16,265
Sewer	0	56,502	0	0	0	56,502
Other	5,701	0	0	0	9,450	15,151
Note receivable	0	0	0	0	0	4,682
Due from other funds	0	53,960	0	70,564	0	170,939
Community development loans, net	0	0	0	767,907	0	767,907
<b>Total assets</b>	<b>\$ 376,881</b>	<b>\$ 110,462</b>	<b>\$ 360,203</b>	<b>\$ 838,471</b>	<b>\$ 228,270</b>	<b>\$ 2,646,271</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 12,654	\$ 5,875	\$ 0	\$ 0	\$ 0	\$ 63,315
Unearned revenue	0	0	0	0	0	19,399
Due to other funds	165,127	0	0	0	0	170,939
<b>Total liabilities</b>	<b>177,781</b>	<b>5,875</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>253,653</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue, property taxes	40,625	0	0	0	0	40,625
Unavailable revenue, loans	0	0	0	767,907	0	772,589
	40,625	0	0	767,907	0	813,214
<b>FUND BALANCES</b>						
Reserved for fiscal year 2016	103,000	0	0	0	0	103,000
Reserved for Special Revenue Funds	0	104,587	360,203	70,564	0	928,562
Reserved for Permanent Fund	0	0	0	0	228,270	228,270
Reserved for Capital Project Funds	0	0	0	0	0	264,097
Unreserved	55,475	0	0	0	0	55,475
<b>Total fund balances</b>	<b>158,475</b>	<b>104,587</b>	<b>360,203</b>	<b>70,564</b>	<b>228,270</b>	<b>1,579,404</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 376,881</b>	<b>\$ 110,462</b>	<b>\$ 360,203</b>	<b>\$ 838,471</b>	<b>\$ 228,270</b>	<b>\$ 2,646,271</b>

CITY OF VERGENNES, VERMONT  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Major Funds					Total Governmental Funds
	General	Sewer Fund	Watershed Fund	Community Development Fund	Ray E. Davison Fund	
<b>REVENUES</b>						
Property taxes	\$ 1,604,627	0	0	0	0	\$ 1,604,627
Licenses, fees and permits	10,838	0	0	0	0	79,945
Intergovernmental	262,412	0	0	0	0	454,768
Charges for services	17,378	593,491	0	0	0	720,285
Fines and forfeits	65,188	10,313	0	0	0	75,501
Investment income (loss)	23,777	0	6,938	0	8,399	37,819
Miscellaneous	11,387	12,572	0	8,632	0	18,008
<b>Total revenues</b>	<b>1,995,607</b>	<b>616,376</b>	<b>6,938</b>	<b>8,632</b>	<b>8,399</b>	<b>3,023,544</b>
<b>EXPENDITURES</b>						
Current Expenditures						
General government	449,422	0	0	0	0	455,967
Public safety	694,618	0	0	0	0	798,546
Public works	624,827	0	0	0	0	624,827
Culture and recreation	0	0	0	0	0	94,229
Community services	51,921	0	0	0	0	51,921
Wastewater	0	351,629	0	0	0	564,378
Recycling	0	0	0	0	0	60,026
Debt Service						
Principal	98,775	123,403	0	0	0	237,178
Interest	50,760	0	0	0	0	63,761
Capital outlay	87,803	10,043	0	0	0	144,430
<b>Total expenditures</b>	<b>2,058,126</b>	<b>485,075</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,095,263</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(62,519)</b>	<b>131,301</b>	<b>6,938</b>	<b>8,632</b>	<b>8,399</b>	<b>(71,719)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of equipment loan	50,000	0	0	0	0	50,000
Transfers in	100,000	0	4,539	0	0	182,607
Transfers out	(78,434)	(190,000)	(8,173)	0	0	(287,146)
<b>Total other financing sources (uses)</b>	<b>71,566</b>	<b>(190,000)</b>	<b>(3,634)</b>	<b>0</b>	<b>0</b>	<b>50,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,047</b>	<b>(58,699)</b>	<b>3,304</b>	<b>8,632</b>	<b>8,399</b>	<b>(21,719)</b>
<b>FUND BALANCES - July 1, 2014</b>	<b>149,428</b>	<b>163,286</b>	<b>356,899</b>	<b>61,932</b>	<b>219,871</b>	<b>1,601,123</b>
<b>FUND BALANCES - June 30, 2015</b>	<b>\$ 158,475</b>	<b>\$ 104,587</b>	<b>\$ 360,203</b>	<b>\$ 70,564</b>	<b>\$ 228,270</b>	<b>\$ 1,579,404</b>

CITY OF VERGENNES, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015

EXHIBIT C

	<u>Original and final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 1,606,479	\$ 1,604,627	\$ (1,852)
Licenses and permits	11,030	10,838	(192)
Intergovernmental	129,500	262,412	132,912
Charges for services	17,500	17,378	(122)
Fines and forfeits	90,000	65,188	(24,812)
Investment income	12,000	23,777	11,777
Miscellaneous	3,450	11,387	7,937
Total revenues	<u>1,869,959</u>	<u>1,995,607</u>	<u>125,648</u>
<b>EXPENDITURES</b>			
<b>Current Expenditures</b>			
General government	459,627	449,422	10,205
Public safety grants	0	110,613	(110,613)
Public safety	621,668	584,005	37,663
Public works	706,443	624,827	81,616
Community services	55,803	51,921	3,882
<b>Debt service</b>			
Principal	98,775	98,775	0
Interest	50,852	50,760	92
Capital outlay	16,357	87,803	(71,446)
Total expenditures	<u>2,009,525</u>	<u>2,058,126</u>	<u>(48,601)</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(139,566)</u>	<u>(62,519)</u>	<u>77,047</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of equipment loan	0	50,000	50,000
Transfer from other funds	100,000	100,000	0
Transfer to other funds	(78,434)	(78,434)	0
Total other financing sources (uses)	<u>21,566</u>	<u>71,566</u>	<u>50,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (118,000)</u>	9,047	<u>\$ 127,047</u>
<b>FUND BALANCE - JULY 1, 2014</b>		<u>149,428</u>	
<b>FUND BALANCE - JUNE 30, 2015</b>		<u>\$ 158,475</u>	

CITY OF VERGENNES, VERMONT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The City of Vergennes, Vermont was founded in 1788. The City of Vergennes operates under a Council-Manager form of government and provides the following services: general government, public safety, wastewater treatment, recycling, public works, culture and recreation and community services.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's financial statements are not prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations).

The City's management has elected to present only the financial statements of the major funds and the aggregate remaining fund information, which is not in conformity with generally accepted accounting principles, specifically GASB 34, GASB 37, GASB 54 and GASB 68. Therefore, government-wide financial statements that include accounting for capital assets, lease payables, notes payable, pensions and fund balance categories are not included in the financial statements.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* provide the significant changes in the Statements. The financial statements would include: A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations. Financial statements are prepared using full accrual accounting for all of the City's activities.

GASB Statement No. 37 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of GASB Statement No. 34 reporting model. The Statement had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

GASB 68 "Accounting and Financial Reporting for Pensions" which is used to improve accounting and financial reporting for pensions. The Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

CITY OF VERGENNES, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Reporting Entity*

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards and GASB 14.

Based on the aforementioned criteria, the City has no component units.

*Basic Financial Statements – Fund Financial Statements*

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds. GASB No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund, Sewer Fund, Watershed Fund Community Development Fund and Ray E. Davison Fund are shown as major funds. All other funds are nonmajor and are combined in one column in the fund financial statements.

The City reports on the following major governmental funds:

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

Sewer Fund is used to account for the operations of the Sewer Department.

Watershed Fund is used to account for money reserved for City parks and recreation.

Community Development Fund is used to account for the Community Development grant and loan programs throughout the City.

Ray E. Davison Fund is used to account for funds donated for capital equipment purchases for the Vergennes Fire Department

*Unavailable Revenue*

Unavailable revenue consists of the following:

General Fund – Delinquent taxes not collected within sixty (60) days after year end and other receivables not collected within six months after year end.

Community Development Fund and Water Tower Fund – Long-term receivables

CITY OF VERGENNES, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or 60 days for property taxes and related items and within six months for all other revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

*Deferred Inflows of Resources*

The City has implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which reports a separate section for deferred inflows of resources in the City's governmental funds. This separate financial statement element reflects an increase in net position that applies to a future period(s). The City will recognize the related revenues when a future event occurs. The City has two items which occur because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the City's fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable property tax revenue (formerly deferred property taxes) and unavailable Community Development Fund loans are reported in the governmental funds balance sheet.

*Budgetary Accounting*

The City Council approves a budget for the General Fund based on the budget presented by the City Manager and the Grand List and then determines the tax rate. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF VERGENNES, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Interfund Activities*

During the course of normal operations, the City of Vergennes has transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. Interfund receivables and payables arise from transactions between funds and are recorded by all funds affected in the period in which the transactions are executed.

*Property Taxes*

Property taxes are recognized as revenue in the year for which taxes have been levied. Delinquent property taxes not collected within 60 days of year end are reflected as unavailable property tax revenue.

*Compensated Absences*

Vested or accumulated vacation leave and compensatory time that has matured is reported as expenditures of the governmental fund that pays it. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Treasurer invests excess cash according to policies established by the City Council.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. All deposits totaling \$319,630 were insured.

FDIC - Insured	\$ 250,000
Uninsured - Collateralized	<u>69,630</u>
Total bank balance at June 30, 2015	<u><u>\$ 319,630</u></u>

*Investments*

*Credit Risk – investments.* The City has an investment policy that limits its investment choices to policies established by the City Council.

CITY OF VERGENNES, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Investments at June 30, 2015 are as follows:

Investments	Maturities	Fair Value	Cost
Certificate of Deposits	8/24/2016-9/28/2022	\$ 351,340	\$ 349,000
Municipal Bonds	3/1/2019-1/1/2040	932,399	974,887
FNMA	10/1/2041	567	536
Cash		76,208	76,208
		<u>\$ 1,360,514</u>	<u>\$ 1,400,631</u>

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

The City has combined some of the cash resources of its governmental funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2015 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 165,127
Special Revenue Funds -		
Sewer Fund	53,960	0
Community Development Fund	70,564	0
Other Special Revenue Funds	40,603	0
Total Special Revenue Funds	<u>165,127</u>	<u>0</u>
Total	<u>\$ 165,127</u>	<u>\$ 165,127</u>

**NOTE 4 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015 are as follows:

		Transfers From				
		General	Sewer	Watershed	Other Governmental	Totals
Transfer to	General	\$ 0	100,000	\$ 0	\$ 0	\$ 100,000
	Watershed	0	0	8,173	4,539	12,712
	Other Governmental	78,434	90,000	0	6,000	174,434
	Funds	<u>\$ 78,434</u>	<u>\$ 190,000</u>	<u>\$ 8,173</u>	<u>\$ 10,539</u>	<u>\$ 287,146</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF VERGENNES, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 5 - NOTE RECEIVABLES**

*Community Development Fund Note Receivables:*

Note receivable consists of a \$61,183 mortgage loan made to the Addison Housing Limited Partnership on June 24, 1996. The proceeds originated from a Grant Agreement between the City of Vergennes and the Vermont Agency of Commerce and Community Development. The note is a non-interest bearing loan allowing for partial payments of any amount during the 25-year loan with a final balloon payment due June 24, 2021.

Note receivable consists of a \$11,616 promissory note made to Shear Cuts, LLC. The note is an interest bearing loan of 4% due the first of each month commencing June 1, 2008 with the final payment due May 1, 2018.

Note receivable consists of a \$35,108 promissory note made to Shear Properties, LLC. The note is an interest bearing loan of 4% due the tenth of each month commencing January 10, 2012 with the final payment due December 10, 2022.

Notes receivable consists of a \$660,000 promissory note made to Armory Lane Housing Limited Partnership. The note is a non-interest bearing loan deferring all payments to November 21, 2052.

*Water Tower Fund Note Receivables:*

Note receivable consists of a \$23,410 promissory note made to Dear Trail Partner, LLC. The note is an interest free note to be paid in five payments of \$4,682. The balance at June 30, 2015 was \$4,682.

**NOTE 6 – UNAVAILABLE REVENUE**

Unavailable revenue in the General Fund consists of \$40,625 of delinquent taxes that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. Unavailable revenue in the Community Development Fund and Water Tower Fund consists of \$772,589 of loans receivable.

CITY OF VERGENNES, VERMONT  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 7 – LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2015 consist of the following:

Vermont Municipal Bond Bank, interest ranging 3.55% - 5.85%, maturing December 1, 2015, interest due June 1 and December 1, principal payments of \$20,000 for ten years and \$15,000 for ten years, due December 1.	\$ 15,000
Vermont Municipal Bond Bank, interest at 0%, maturing November 1, 2022, principal payments of \$123,403 due annually beginning November 1, 2003.	987,224
State of Vermont Treasurer, interest at 2%, five annual principal payments of \$19,275, due December 2017, secured by dump truck.	57,825
Vermont Municipal Bond Bank, interest ranging 1.033% - 3.086%, maturing November 15, 2025, interest due December 15 and June 15, principal payments of \$40,000 due annually beginning December 2016.	400,000
State of Vermont Treasurer, interest of 2%, five annual principal payments of \$7,000 due June 30, 2018, secured by caterpillar loader.	21,000
State of Vermont Treasurer, interest of 2%, five annual principal payments of \$10,000 due December 31, 2019, secured by ram truck.	50,000
Merchants Bank, interest at 3.443%, maturing September 1, 2033, interest due March 1 and September 1, principal payments of \$72,500 for twenty years due September 1.	<u>1,377,500</u>
Total bonds and notes payable	<u>2,908,549</u>
Compensated absences	<u>34,509</u>
Total long-term liabilities	<u><u>\$ 2,943,058</u></u>

Interest paid on long-term liabilities for the year ended June 30, 2015 was \$63,761.

Maturities for long-term debt are as follows:

	Principal	Interest	Totals
2016	\$ 247,178	\$ 60,344	\$ 307,522
2017	272,178	56,120	328,298
2018	272,178	52,004	324,182
2019	245,903	47,837	293,740
2020	245,903	44,233	290,136
2021-2025	892,709	165,214	1,057,923
2026-2030	442,500	81,218	523,718
2031-2034	290,000	20,023	310,023
Totals	<u>\$ 2,908,549</u>	<u>\$ 526,993</u>	<u>\$ 3,435,542</u>

CITY OF VERGENNES, VERMONT  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

The following is a summary of changes in long-term liabilities:

	Balance June 30, 2014	Additions	Payments	Balance June 30, 2015
<b>Bonds and notes payable:</b>				
Bonds payable	\$ 1,540,627	\$ 0	\$ (138,403)	\$ 1,402,224
Notes payable - Merchants Bank	1,450,000	0	(72,500)	1,377,500
Notes payable - State of Vermont	105,100	50,000	(26,275)	128,825
<b>Total bond and notes payable</b>	<u>3,095,727</u>	<u>50,000</u>	<u>(237,178)</u>	<u>2,908,549</u>
<b>Other liabilities:</b>				
Accrued compensated absences	35,115	11,164	(11,770)	34,509
<b>Total long-term liabilities</b>	<u>\$ 3,130,842</u>	<u>\$ 61,164</u>	<u>\$ (248,948)</u>	<u>\$ 2,943,058</u>

**NOTE 8 - BUDGETED DEFICIT**

The City elected to budget expenditures in excess of revenues by \$118,000 in the General Fund in order to reduce the carryover fund balance. This is reflected as a budgeted deficiency of revenues over expenditures in Exhibit C.

**NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, expenditures exceeded appropriations in the General Fund by \$48,601. The excess expenditures were funded by use of excess revenues from grant related revenues, loan proceeds and available fund balance.

CITY OF VERGENNES, VERMONT  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 10 - RESERVED FUND BALANCES**

Fund balances are reserved as follows:

**General Fund**

Reserved for fiscal year 2016 expenditures \$ 103,000

**Sewer Fund**

104,587

**Watershed Fund**

360,203

**Community Development Fund**

70,564

**E. Davison Fund**

228,270

**Other Governmental Funds**

*Special Revenue Funds*

Recycling fund	1,457	
Fire fund	21,443	
Fire truck replacement fund	10,823	
Pumphouse restoration fund	436	
Swimming pool fund	(2,731)	
Co-op agreement fund	10,537	
Tree fund	2,267	
Lister education fund	3,085	
Reappraisal fund	55,776	
Land records restoration fees fund	24,841	
Land records computerization fund	42,868	
Vergennes recreation events fund	3,260	
Donnelly fund	19,869	
Water tower fund	190,477	
Vergennes burying ground fund	6,809	
Junior Fishing Derby fund	485	
Otter creek basin fund	1,506	

Total special revenue funds	393,208	
-----------------------------	---------	--

*Capital Project Funds*

West Main/Route 22A fund	62,527	
Biosolids fund	15,971	
Sewer line replacement fund	43,256	
Sewer capital improvement fund	142,343	

Total capital project funds	264,097	
-----------------------------	---------	--

Total reserved fund balances	\$ 1,523,929	
------------------------------	--------------	--

CITY OF VERGENNES, VERMONT  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 11 - RESERVED FUND BALANCES (continued)**

Ray E. Davison fund balance at June 30, 2015 was \$228,270. The investment in this fund consists mostly of municipal bonds that were purchased at a premium. The balance is above the original amount distributed to the City which was \$198,470. There are \$29,800 funds available to be spent at June 30, 2015.

**NOTE 12 – PROPERTY TAXES**

The City levies its property tax based upon the assessed value as of April 1, for all real property, with exemptions to qualifying veterans and excludes assessments on State municipal, school and church properties and others. The tax is payable in four installments due August 15, November 15, February 15 and May 15. After a 15-day grace period, interest of 1% per month is charged for overdue taxes from the due date of each installment for the first three months and 1.5% per month thereafter. Any tax levy still delinquent after May 15, plus a 15-day grace period, is charged an 8% penalty.

The tax rate for fiscal year 2015 was:

	Residential	Non-Residential
General Fund	\$ 0.6378	\$ 0.6378
School	1.2622	1.3769
Education	\$ 1.9000	\$ 2.0147

**NOTE 13 - RETIREMENT BENEFIT PLAN**

*Vermont Municipal Employees' Retirement System*

All eligible full-time employees are covered by the Vermont Municipal Employees' Retirement System. The Vermont Municipal Employees' Retirement System is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The City and employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

The City participates in the Group B level of contributions and benefits of the System. Under Group B, the employee contributions are 4.75% of gross pay and employer contributions are 5.375% of gross pay. Of the City's total payroll of \$937,540, \$801,114 was covered under the Vermont Municipal Employees' Retirement System.

The City pays both the employer and the employee contributions. Total contributions made to the System for the year ended June 30, 2015 were \$81,113, for the year ended June 30, 2014 were \$75,950 and for the year ended June 30, 2013 were \$81,182.

CITY OF VERGENNES, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 13 - RETIREMENT BENEFIT PLAN (Continued)**

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

**NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES**

*Health Care Benefits*

Effective January 1, 2012, CIGNA was no longer available for employer groups with less than 50 employees so they enrolled in a Blue Cross Blue Shield High Deductible Health Plan with a similar Health Reimbursement Arrangement (HRA) with a \$2,500/\$5,000 maximum out-of-pocket expense. The City allocated up to \$5,000 per employee for calendar year 2015 toward out-of-pocket health, dental, and vision expenses.

*Grants*

The City participates in federally and state assisted grant programs which are subject to audit by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2015 have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

*Cooperative Agreement*

The City and Green Mountain Power (GMP) entered into a Cooperative Agreement dated July 3, 2002. GMP has agreed to make certain funds available to the City in exchange for the City undertaking and being responsible for the design, development and construction of certain recreational enhancements required by the Federal Energy Regulatory Commission (FERC). The City will use GMP funds as a local match to obtain other grant funding. As of June 30, 2015, GMP had deposited \$158,000 and the balance of the account was \$39,377 as shown in the Co-op Agreement Fund.

**NOTE 15 - RISK MANAGEMENT**

The City of Vergennes is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City of Vergennes maintains coverage through VLCT-PACIF for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this coverage in any of the past three fiscal years.

CITY OF VERGENNES, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 16 - LEASE AGREEMENT**

The City has three equipment leases. The lease expense for 2015 was \$6,300. The remaining lease payments are as follows:

2016	\$	4,800
2017		3,100
2018		2,600
2019		2,600
Total	\$	<u>13,100</u>

**NOTE 17 – BUDGETARY COMPARISON SCHEDULES**

The City is not legally required to adopt budgets for the Sewer Fund, Watershed Fund, Water Tower Fund and the Community Development Fund. Therefore, a budgetary comparison is not presented for these funds.

**NOTE 18 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 21, 2015, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

CITY OF VERGENNES, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property Taxes			
Property taxes	\$ 1,591,979	\$ 1,586,874	\$ (5,105)
Delinquent interest	14,500	17,753	3,253
Total property taxes	<u>1,606,479</u>	<u>1,604,627</u>	<u>(1,852)</u>
Licenses and Permits			
Liquor licenses	1,455	1,455	0
Dog licenses	2,250	2,370	120
Other permits	2,325	2,493	168
Zoning	5,000	4,520	(480)
Total licenses and permits	<u>11,030</u>	<u>10,838</u>	<u>(192)</u>
Intergovernmental			
Highway state aid	60,000	59,433	(567)
Payment in lieu of taxes	63,500	62,565	(935)
Education tax service fee	6,000	6,051	51
Police grants	0	91,886	91,886
WomenSafe	0	18,440	18,440
Forfeiture	0	149	149
Other grants	0	2,442	2,442
Downtown streetscape	0	21,446	21,446
Total intergovernmental	<u>129,500</u>	<u>262,412</u>	<u>132,912</u>
Charges for Services			
Clerk's fees	17,500	17,378	(122)
Fines and Forfeitures			
Traffic fines - local	90,000	65,188	(24,812)
Miscellaneous Income			
Interest	12,000	23,777	11,777
Act 60 listers	950	985	35
Current use hold harmless	1,500	1,568	68
Other miscellaneous income	1,000	8,834	7,834
Total miscellaneous income	<u>15,450</u>	<u>35,164</u>	<u>19,714</u>
Total revenues	<u>1,869,959</u>	<u>1,995,607</u>	<u>125,648</u>

CITY OF VERGENNES, VERMONT  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>			
Current Expenditures			
General Government			
Assessments and Taxes			
ACEDC	3,000	3,000	0
Firefighters wages	4,000	7,100	(3,100)
County tax	9,685	9,685	0
Regional planning	2,691	2,691	0
Unemployment	2,500	27	2,473
VLCT dues	3,642	3,642	0
SCBC	0	2,443	(2,443)
Forfeiture fund	0	149	(149)
Vergennes partnership	7,500	7,500	0
Total assessments and taxes	33,018	36,237	(3,219)
City administration			
Salaries	185,127	185,434	(307)
Mayor/Aldermen's stipend	6,400	6,175	225
Lister's stipend	2,350	2,350	0
Auditor's stipend	225	225	0
Crime coverage	1,000	1,010	(10)
Annual report	500	506	(6)
Employee benefits	68,500	76,079	(7,579)
Insurance	15,000	7,031	7,969
Expenses/training/dues	3,100	1,272	1,828
Telephone	2,800	2,307	493
Website	2,000	200	1,800
Heat	4,290	4,225	65
Electricity	6,000	3,858	2,142
Miscellaneous	300	320	(20)
Building maintenance	20,000	8,738	11,262
Supplies/maintenance	10,000	12,436	(2,436)
Attorney fees	5,000	4,000	1,000
Advertising	1,000	2,158	(1,158)
Audit fee	13,000	13,000	0
Information technology	24,000	29,249	(5,249)
Appraisal consultant fee	1,000	650	350
Miscellaneous	1,000	797	203
Total city administration	372,592	362,020	10,572

CITY OF VERGENNES, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous Appropriations			
Bixby Memorial Free Library	44,017	44,017	0
Parks and recreation	7,000	4,148	2,852
Vergennes Day	3,000	3,000	0
Total miscellaneous appropriations	<u>54,017</u>	<u>51,165</u>	<u>2,852</u>
Total general government	<u>459,627</u>	<u>449,422</u>	<u>10,205</u>
Public Safety grants			
CDIP grant expenditures	0	65,482	(65,482)
WomenSafe grant expenditures	0	18,440	(18,440)
Police grant expenditures	0	26,691	(26,691)
Total public safety grants	<u>0</u>	<u>110,613</u>	<u>(110,613)</u>
Public Safety			
Salaries	339,200	307,677	31,523
Employee benefits	161,000	158,355	2,645
Insurance	21,000	18,775	2,225
Expenses/training/dues	3,500	3,661	(161)
Uniforms	8,000	9,228	(1,228)
Office supplies/equipment	8,000	21,541	(13,541)
Telephone	8,000	8,088	(88)
Operation/gasoline	24,000	16,752	7,248
Information technology	12,000	8,831	3,169
Vehicle maintenance	10,000	6,558	3,442
Vehicle insurance	2,800	3,072	(272)
Building maintenance	6,600	6,803	(203)
Utilities	14,568	13,928	640
Miscellaneous	1,000	736	264
Radio	2,000	0	2,000
Total public safety	<u>621,668</u>	<u>584,005</u>	<u>37,663</u>
Public Works			
Salaries	247,500	219,168	28,332
Employee benefits	108,950	102,580	6,370
Insurance	4,000	4,062	(62)
Expense/training/dues	1,500	893	607
Uniforms	2,000	2,051	(51)
Telephone	850	833	17

CITY OF VERGENNES, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Trash receptacles	5,000	3,828	1,172
Heat	3,300	3,250	50
Electricity	4,900	4,165	735
Gas and oil	20,000	13,347	6,653
Vehicle insurance	4,300	4,145	155
Equipment	1,143	973	170
Maintenance/repair	18,000	6,683	11,317
Equipment maintenance	6,000	9,579	(3,579)
Signs	5,000	5,000	0
Parking lines	3,500	3,187	313
Traffic and street lights	30,000	27,317	2,683
Shop supplies/equipment	5,000	5,448	(448)
Storm system/culverts/ditches	52,000	39,691	12,309
Highway improvements	100,000	99,053	947
Sidewalks and curbs	10,000	0	10,000
Park maintenance	20,000	12,689	7,311
Winter maintenance	45,000	48,485	(3,485)
Winter equipment rental	5,000	3,635	1,365
Miscellaneous	3,500	4,765	(1,265)
Total public works	<u>706,443</u>	<u>624,827</u>	<u>81,616</u>
Community Services			
ACHH&H	3,290	3,290	0
Elderly Services	2,000	2,000	0
Addison County Parent/Child Center	3,074	3,074	0
HOPE	2,000	2,000	0
Hospice Volunteer Services	2,000	2,000	0
John Graham Emergency Shelter	1,725	1,725	0
Boys and Girls Club	2,000	2,000	0
Counseling Service	2,500	2,500	0
Retired Senior Volunteer Program	750	750	0
Vergennes Area Senior Center	1,500	1,500	0
WomenSafe Inc	3,000	3,000	0
Champlain Valley Agency	2,500	2,500	0
Vermont Adult Learning	890	890	0
Addison County Transit Resources	7,302	7,302	0
Addison County Humane Society	2,000	2,000	0
Addison County Reader	600	600	0
Open Door Clinic	1,000	1,000	0
Addison County Court Diversion	850	850	0
Vergennes Area Rescue Squad	16,822	12,940	3,882
Total community services	<u>55,803</u>	<u>51,921</u>	<u>3,882</u>

CITY OF VERGENNES, VERMONT  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

SCHEDULE 1

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Debt Service			
Principal	98,775	98,775	0
Interest	50,852	50,760	92
Total debt service	<u>149,627</u>	<u>149,535</u>	<u>92</u>
Capital Outlay			
Public works vehicle	16,357	66,357	(50,000)
Sidewalks	0	21,446	(21,446)
Total capital outlay	<u>16,357</u>	<u>87,803</u>	<u>(71,446)</u>
Total expenditures	<u>2,009,525</u>	<u>2,058,126</u>	<u>(48,601)</u>
EXCESS REVENUES (EXPENDITURES)	<u>(139,566)</u>	<u>(62,519)</u>	<u>77,047</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of equipment loan	0	50,000	50,000
Transfers in	100,000	100,000	0
Transfers out	(78,434)	(78,434)	0
Total other financing sources (uses)	<u>21,566</u>	<u>71,566</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (118,000)</u>	9,047	<u>\$ 127,047</u>
FUND BALANCE - JULY 1, 2014		<u>149,428</u>	
FUND BALANCE - JUNE 30, 2015		<u>\$ 158,475</u>	

CITY OF VERGENNES, VERMONT  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2015

SCHEDULE 2

SPECIAL REVENUE FUNDS

	Recycling Fund	Fire Fund	Fire Truck Replacement Fund	Pumphouse Restoration Fund	Swimming Pool Fund	Co-op Agreement Fund	Tree Fund	Listers Ed Fund	Reappraisal Fund
Cash and investments	\$ 0	\$ 0	\$ 10,823	\$ 436	\$ 0	\$ 39,377	\$ 2,267	\$ 3,085	\$ 55,776
Miscellaneous receivables	0	9,450	0	0	0	0	0	0	0
Due from other funds	6,459	22,298	0	0	17,658	0	0	0	0
Total assets	\$ 6,459	\$ 31,748	\$ 10,823	\$ 436	\$ 17,658	\$ 39,377	\$ 2,267	\$ 3,085	\$ 55,776

ASSETS

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities	\$ 5,002	\$ 10,305	\$ 0	\$ 0	\$ 990	\$ 23,028	\$ 0	\$ 0	\$ 0
Accounts payable	0	0	0	0	19,399	0	0	0	0
Unearned revenue	0	0	0	0	0	5,812	0	0	0
Due to other funds	0	0	0	0	0	0	0	0	0
Total liabilities	5,002	10,305	0	0	20,389	28,840	0	0	0
Deferred Inflows of Resources	0	0	0	0	0	0	0	0	0
Unavailable revenue, loans	0	0	0	0	0	0	0	0	0
Fund balances Reserved	1,457	21,443	10,823	436	(2,731)	10,537	2,267	3,085	55,776
Total liabilities, deferred inflows and fund balances	\$ 6,459	\$ 31,748	\$ 10,823	\$ 436	\$ 17,658	\$ 39,377	\$ 2,267	\$ 3,085	\$ 55,776

CITY OF VERGENNES, VERMONT  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2015

SCHEDULE 2

SPECIAL REVENUE FUNDS

	Restoration Fees Fund	Records Computerization Fund	Vergennes Recreation Events Fund	Donnelly Fund	Water Tower Fund	Vergennes Burying Ground Fund	Junior Fishing Derby Fund	Otter Creek Basin Fund
Cash and investments	\$ 24,841	\$ 42,868	\$ 3,260	\$ 19,869	\$ 193,106	\$ 6,809	\$ 3,317	\$ 1,506
Miscellaneous receivables	0	0	0	0	4,682	0	0	0
Due from other funds	0	0	0	0	0	0	0	0
Total assets	\$ 24,841	\$ 42,868	\$ 3,260	\$ 19,869	\$ 197,788	\$ 6,809	\$ 3,317	\$ 1,506

ASSETS

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,629	\$ 0	\$ 2,832	\$ 0
Accounts payable	0	0	0	0	0	0	0	0
Unearned revenue	0	0	0	0	0	0	0	0
Due to other funds	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	2,629	0	2,832	0
Deferred Inflows of Resources	0	0	0	0	4,682	0	0	0
Unavailable revenue, loans	0	0	0	0	0	0	0	0
Fund balances Reserved	24,841	42,868	3,260	19,869	190,477	6,809	485	1,506
Total liabilities, deferred inflows and fund balances	\$ 24,841	\$ 42,868	\$ 3,260	\$ 19,869	\$ 197,788	\$ 6,809	\$ 3,317	\$ 1,506

CITY OF VERGENNES, VERMONT  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2015

SCHEDULE 2

CAPITAL PROJECTS FUNDS

West Main/ Rte 22A Fund	Biosolids Fund	Sewer Line Replacement Fund	Sewer Capital Improvement Fund	Total Other Governmental Funds
\$ 62,527	\$ 15,971	\$ 43,256	\$ 142,343	\$ 671,437
0	0	0	0	14,132
0	0	0	0	46,415
<u>\$ 62,527</u>	<u>\$ 15,971</u>	<u>\$ 43,256</u>	<u>\$ 142,343</u>	<u>\$ 731,984</u>

ASSETS

Cash and investments  
 Miscellaneous receivables  
 Due from other funds  
 Total assets

LIABILITIES, DEFERRED INFLOWS OF  
 RESOURCES AND FUND BALANCES

Liabilities				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 44,786
Unearned revenue	0	0	0	19,399
Due to other funds	0	0	0	5,812
Total liabilities	0	0	0	69,997
Deferred Inflows of Resources				
Unavailable revenue, loans	0	0	0	4,682
Fund balances				
Reserved	62,527	15,971	43,256	142,343
Total liabilities, deferred inflows and fund balances	<u>\$ 62,527</u>	<u>\$ 15,971</u>	<u>\$ 43,256</u>	<u>\$ 731,984</u>

CITY OF VERGENNES, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

SPECIAL REVENUE FUNDS

	Recycling Fund	Fire Fund	Fire Truck Replacement Fund	Pumphouse Restoration Fund	Swimming Pool Fund	Co-op Agreement Fund	Tree Fund	Listers Ed Fund	Reappraisal Fund	Restoration Fees Fund
<b>REVENUES</b>										
Investment income (loss)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0	0	0	0	0	0	8,373	0
Licenses, permits, fees and miscellaneous	0	0	0	0	45,334	0	0	0	0	1,901
Contract revenue	29,000	80,416	0	0	0	0	0	0	0	0
Miscellaneous	0	11,986	0	0	0	0	0	0	0	0
Total revenues	29,000	92,402	0	0	45,334	0	0	0	8,373	1,901
<b>EXPENDITURES</b>										
Current Expenditures										
General government	0	0	0	0	0	0	0	0	0	0
Public safety	0	103,928	0	0	0	0	0	0	0	0
Culture and recreation	0	0	0	0	55,007	0	0	0	0	0
Wastewater	0	0	0	0	0	0	0	0	0	0
Recycling	60,026	0	0	0	0	0	0	0	0	0
Debt Service	0	15,000	0	0	0	0	0	0	0	0
Principal	0	13,001	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Capital outlay	0	0	0	0	0	0	0	0	0	0
Total expenditures	60,026	131,929	0	0	55,007	0	0	0	0	0
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(31,026)</b>	<b>(39,527)</b>	<b>0</b>	<b>0</b>	<b>(9,673)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,373</b>	<b>1,901</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	29,000	49,434	0	0	6,000	0	0	0	0	0
Transfers out	0	0	0	0	0	0	0	0	0	0
Total other financing sources (uses)	29,000	49,434	0	0	6,000	0	0	0	0	0
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,026)</b>	<b>9,907</b>	<b>0</b>	<b>0</b>	<b>(3,673)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,373</b>	<b>1,901</b>
<b>FUND BALANCES - July 1, 2014</b>	<b>3,483</b>	<b>11,536</b>	<b>10,823</b>	<b>436</b>	<b>942</b>	<b>10,537</b>	<b>2,267</b>	<b>3,085</b>	<b>47,403</b>	<b>22,940</b>
<b>FUND BALANCES - June 30, 2015</b>	<b>\$ 1,457</b>	<b>\$ 21,443</b>	<b>\$ 10,823</b>	<b>\$ 436</b>	<b>\$ (2,731)</b>	<b>\$ 10,537</b>	<b>\$ 2,267</b>	<b>\$ 3,085</b>	<b>\$ 55,776</b>	<b>\$ 24,841</b>

CITY OF VERGENNES, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS							
	Records Computerization Fund	Vergennes Recreation Events Fund	Donnelly Fund	Recreation Maintenance Reserve Fund	Water Tower Fund	Vergennes Burying Ground Fund	Junior Fishing Derby Fund	Otter Creek Basin Fund
<b>REVENUES</b>								
Investment income (loss)	\$ 0	\$ 0	\$ (1,295)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	0	0	79,223	0	0	0
Licenses, permits, fees and miscellaneous	5,748	6,582	0	0	0	0	8,036	1,506
Contract revenue	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	4,682	0	0	0
Total revenues	<u>5,748</u>	<u>6,582</u>	<u>(1,295)</u>	<u>0</u>	<u>83,905</u>	<u>0</u>	<u>8,036</u>	<u>1,506</u>
<b>EXPENDITURES</b>								
Current Expenditures								
General government	0	0	0	0	6,545	0	0	0
Public safety	0	0	0	0	0	0	0	0
Culture and recreation	0	9,177	0	1,938	0	1,361	8,133	0
Wastewater	0	0	0	0	0	0	0	0
Recycling	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0
Capital outlay	0	0	0	0	21,445	0	0	0
Total expenditures	<u>0</u>	<u>9,177</u>	<u>0</u>	<u>1,938</u>	<u>27,990</u>	<u>1,361</u>	<u>8,133</u>	<u>0</u>
EXCESS REVENUES (EXPENDITURES)	<u>5,748</u>	<u>(2,595)</u>	<u>(1,295)</u>	<u>(1,938)</u>	<u>55,915</u>	<u>(1,361)</u>	<u>(97)</u>	<u>1,506</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	0	0	0	8,173	0	0	0	0
Transfers out	0	0	0	(10,539)	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,366)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>5,748</u>	<u>(2,595)</u>	<u>(1,295)</u>	<u>(4,304)</u>	<u>55,915</u>	<u>(1,361)</u>	<u>(97)</u>	<u>1,506</u>
<b>FUND BALANCES - July 1, 2014</b>	<u>37,120</u>	<u>5,855</u>	<u>21,164</u>	<u>4,304</u>	<u>134,562</u>	<u>8,170</u>	<u>582</u>	<u>0</u>
<b>FUND BALANCES - June 30, 2015</b>	<u>\$ 42,868</u>	<u>\$ 3,260</u>	<u>\$ 19,869</u>	<u>\$ 0</u>	<u>\$ 190,477</u>	<u>\$ 6,809</u>	<u>\$ 485</u>	<u>\$ 1,506</u>

CITY OF VERGENNES, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	CAPITAL PROJECTS FUNDS						Total Other Governmental Funds
	West Main/ Rte 22A Fund	Toddler Playground Fund	Biosolids Fund	Sewer Line Replacement Fund	Sewer Capital Improvement Fund		
<b>REVENUES</b>							
Investment income (loss)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(1,295)
Intergovernmental	0	0	0	29,668	75,092		192,356
Licenses, permits, fees and miscellaneous	0	0	0	0	0	0	69,107
Contract revenue	0	0	0	0	0	0	109,416
Miscellaneous	0	0	0	0	1,340	0	18,008
Total revenues	0	0	0	29,668	76,432		387,592
<b>EXPENDITURES</b>							
Current Expenditures							
General government	0	0	0	0	0	0	6,545
Public safety	0	0	0	0	0	0	103,928
Culture and recreation	0	18,613	0	0	0	0	94,229
Wastewater	0	0	185,526	27,223	0	0	212,749
Recycling	0	0	0	0	0	0	60,026
Debt Service	0	0	0	0	0	0	15,000
Principal	0	0	0	0	0	0	13,001
Interest	0	0	0	0	0	0	46,584
Capital outlay	0	0	0	0	25,139	0	46,584
Total expenditures	0	18,613	185,526	27,223	25,139	0	552,062
<b>EXCESS REVENUES (EXPENDITURES)</b>	0	(18,613)	(185,526)	2,445	51,293		(164,470)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	0	0	50,000	20,000	20,000	0	182,607
Transfers out	0	0	0	0	0	0	(10,539)
Total other financing sources (uses)	0	0	50,000	20,000	20,000	0	172,068
<b>NET CHANGE IN FUND BALANCES</b>	0	(18,613)	(135,526)	22,445	71,293		7,598
<b>FUND BALANCES - July 1, 2014</b>	62,527	18,613	151,497	20,811	71,050		649,707
<b>FUND BALANCES - June 30, 2015</b>	\$ 62,527	\$ 0	\$ 15,971	\$ 43,256	\$ 142,343	\$	657,305

# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
Donald J. Murray, CPA

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

City Council Members  
City of Vergennes  
Vergennes, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund, and the aggregate remaining fund information of City of Vergennes, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2015.

We expressed an adverse opinion on the financial statements 1) because Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities, 2) because the City treats the Sewer Fund as a Special Revenue Fund rather than an Enterprise Fund 3) because the City has not presented the fund balance classifications in accordance with GASB No. 54 and the City has not complied with GASB 68 related to Pensions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

  
FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110  
Montpelier, Vermont

December 21, 2015