

CITY OF RUTLAND, VERMONT
AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2019

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AUDIT REPORT
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Independent Auditor's Report

Board of Aldermen
City of Rutland, Vermont
P.O. Box 969
Rutland, Vermont 05702

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rutland, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Rutland, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rutland, Vermont, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows 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 omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability for the City's participation in VMERS on Schedule 2, the Schedule of Contributions for the City's participation in VMERS on Schedule 3, the Schedule of Proportionate Share of the Net Pension Liability for the City's Pension Plan on Schedule 4, the Schedule of Changes in Net Pension Liabilities and Related Ratios for the City's Pension Plan on Schedule 5, the Schedule of Contributions and Investment Returns for the City's Pension Plan on Schedule 6 and the Schedule of Changes in the City's Total Liability and Related Ratios for the City's Other Postemployment Benefits on Schedule 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

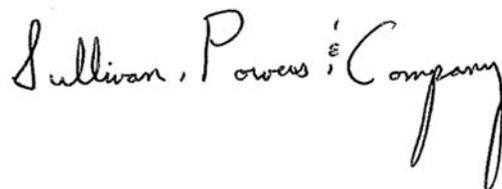
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rutland, Vermont’s basic financial statements. The combining fund financial statements and combining schedules of the Water Fund and the Sewer Fund are presented for purposes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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by “Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated March 27, 2020 on our consideration of the City of Rutland, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the City of Rutland, Vermont’s internal control over financial reporting and compliance.

March 27, 2020
Montpelier, Vermont
VT Lic. #92-000180

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

CITY OF RUTLAND, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rutland Redevelopment Authority
ASSETS				
Cash	\$ 5,962,220	\$ 3,128,623	\$ 9,090,843	\$ 168,218
Restricted Cash	0	452,660	452,660	0
Investments	591,379	0	591,379	0
Receivables (Net of Allowance for Uncollectibles)	2,506,358	3,527,570	6,033,928	152
Loans Receivable	86,341	0	86,341	8,534
Internal Balances	167,557	(167,557)	0	0
Due from Component Unit	72,791	0	72,791	0
Deposit on Storage Shed	21,793	0	21,793	0
Prepaid Expenses	153,659	33,964	187,623	0
Inventory	35,868	114,788	150,656	0
Capital Assets:				
Land and Easements	4,107,117	3,043,929	7,151,046	0
Construction in Progress	379,631	4,638,912	5,018,543	0
Other Capital Assets, (Net of Accumulated Depreciation)	39,450,372	34,475,801	73,926,173	0
Total Assets	<u>53,535,086</u>	<u>49,248,690</u>	<u>102,783,776</u>	<u>176,904</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to the City's Participation in VMERS	1,373,417	93,718	1,467,135	0
Deferred Outflows of Resources Related to the City's Pension Plan	1,990,158	622,970	2,613,128	0
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	1,925,391	366,989	2,292,380	0
Total Deferred Outflows of Resources	<u>5,288,966</u>	<u>1,083,677</u>	<u>6,372,643</u>	<u>0</u>
LIABILITIES				
Accounts Payable	443,576	673,869	1,117,445	428
Accrued Payroll and Benefits Payable	818,139	54,766	872,905	0
Due to Others	11,599	88,725	100,324	0
Unearned Revenue	117,749	15,520	133,269	0
Due to Primary Government	0	0	0	72,791
Tax Sale Overpayments	16,805	0	16,805	0
Accrued Interest Payable	19,398	166,486	185,884	0
Noncurrent Liabilities:				
Due within One Year	514,990	1,575,763	2,090,753	0
Due in More than One Year	30,913,060	17,649,963	48,563,023	0
Total Liabilities	<u>32,855,316</u>	<u>20,225,092</u>	<u>53,080,408</u>	<u>73,219</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid Property Taxes	13,875	0	13,875	0
Deferred Inflows of Resources Related to the City's Participation in VMERS	35,606	2,434	38,040	0
Deferred Inflows of Resources Related to the City's Pension Plan	4,185,225	1,310,081	5,495,306	0
Deferred Inflows of Resources Related to the City's Other Postemployment Benefits	415,744	83,409	499,153	0
Total Deferred Inflows of Resources	<u>4,650,450</u>	<u>1,395,924</u>	<u>6,046,374</u>	<u>0</u>
NET POSITION				
Net Investment in Capital Assets	39,167,456	30,685,988	69,853,444	0
Restricted:				
Public Works	358,363	0	358,363	0
Giorgetti Park Improvements	986,880	0	986,880	0
Other	669,836	0	669,836	0
Unrestricted/(Deficit)	<u>(19,864,249)</u>	<u>(1,974,637)</u>	<u>(21,838,886)</u>	<u>103,685</u>
Total Net Position	<u>\$ 21,318,286</u>	<u>\$ 28,711,351</u>	<u>\$ 50,029,637</u>	<u>\$ 103,685</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Rutland Redevelopment Authority
Functions/Programs:								
Primary Government:								
Governmental Activities:								
General Government	\$ 3,434,456	\$ 449,039	\$ 62,549	\$ 0	\$ (2,922,868)	\$ 0	\$ (2,922,868)	\$ 0
Public Safety	10,539,252	217,876	164,452	0	(10,156,924)	0	(10,156,924)	0
Public Works	4,861,091	10,234	302,757	4,000	(4,544,100)	0	(4,544,100)	0
Culture and Recreation	2,831,255	494,460	67,503	0	(2,269,292)	0	(2,269,292)	0
Community Development	718,544	506	200,642	271,470	(245,926)	0	(245,926)	0
Interest on Long-term Debt	133,339	0	0	0	(133,339)	0	(133,339)	0
Total Governmental Activities	22,517,937	1,172,115	797,903	275,470	(20,272,449)	0	(20,272,449)	0
Business-type Activities:								
Water	3,300,741	3,559,028	0	529,009	0	787,296	787,296	0
Sewer	5,187,394	5,415,998	0	0	0	228,604	228,604	0
Parking Meter	221,082	127,729	0	0	0	(93,353)	(93,353)	0
Transit Center Management	303,979	279,580	0	0	0	(24,399)	(24,399)	0
Total Business-type Activities	9,013,196	9,382,335	0	529,009	0	898,148	898,148	0
Total Primary Government	\$ 31,531,133	\$ 10,554,450	\$ 797,903	\$ 804,479	(20,272,449)	898,148	(19,374,301)	0
Component Unit:								
Rutland Redevelopment Authority	\$ 474,365	\$ 180,467	\$ 5,500	\$ 0	0	0	0	(288,398)
Total Component Unit	\$ 474,365	\$ 180,467	\$ 5,500	\$ 0	0	0	0	(288,398)
General Revenues:								
Property Taxes					17,930,617	0	17,930,617	279,971
Penalties and Interest on Delinquent Taxes					126,248	0	126,248	0
Rooms, Meals and Entertainment Taxes					536,607	0	536,607	0
Payments in Lieu of Taxes					729,640	0	729,640	0
Unrestricted Investment Earnings					144,232	30,345	174,577	468
Insurance Proceeds					94,555	0	94,555	0
Timber Sales					0	71,669	71,669	0
Gain on Sale of Vehicles					8,356	0	8,356	0
Other Revenues					29,732	0	29,732	0
Total General Revenues					19,599,987	102,014	19,702,001	280,439
Change in Net Position					(672,462)	1,000,162	327,700	(7,959)
Net Position - July 1, 2018					21,990,748	27,711,189	49,701,937	111,644
Net Position - June 30, 2019					\$ 21,318,286	\$ 28,711,351	\$ 50,029,637	\$ 103,685

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

CITY OF RUTLAND, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,580,078	\$ 1,382,142	\$ 5,962,220
Investments	0	591,379	591,379
Receivables (Net of Allowance for Uncollectibles)	2,506,352	6	2,506,358
Loans Receivable (Net of Allowance for Uncollectibles)	86,341	0	86,341
Due from Other Funds	23,173	147,073	170,246
Due from Component Unit	72,791	0	72,791
Deposit on Storage Shed	21,793	0	21,793
Prepaid Expenses	151,336	2,323	153,659
Inventory	35,868	0	35,868
Total Assets	<u>\$ 7,477,732</u>	<u>\$ 2,122,923</u>	<u>\$ 9,600,655</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 421,464	\$ 22,112	\$ 443,576
Accrued Payroll and Benefits Payable	818,139	0	818,139
Due to Other Funds	0	2,689	2,689
Due to Others	11,599	0	11,599
Unearned Revenue	117,749	0	117,749
Tax Sale Overpayments	16,805	0	16,805
Total Liabilities	<u>1,385,756</u>	<u>24,801</u>	<u>1,410,557</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	13,875	0	13,875
Unavailable Property Taxes, Penalties, Interest and Related Fees	1,478,365	0	1,478,365
Unavailable Miscellaneous Fees	97,091	0	97,091
Unavailable Impact Fees	498,421	0	498,421
Unavailable Loans Receivable	86,341	0	86,341
Total Deferred Inflows of Resources	<u>2,174,093</u>	<u>0</u>	<u>2,174,093</u>
<u>FUND BALANCES</u>			
Nonspendable	208,997	2,323	211,320
Restricted	368,799	1,608,089	1,976,888
Committed	0	64,881	64,881
Assigned	1,509,486	422,829	1,932,315
Unassigned	1,830,601	0	1,830,601
Total Fund Balances	<u>3,917,883</u>	<u>2,098,122</u>	<u>6,016,005</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,477,732</u>	<u>\$ 2,122,923</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.			43,937,120
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			2,160,218
Long-term and Accrued Liabilities, Including Bonds Payable, the Net Pension Liability and the Other Postemployment Benefits are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.			(31,447,448)
Deferred Outflows and Inflows of Resources related to the City's OPEB Plan are applicable to Future Periods and, Therefore, are not Reported in the Funds.			1,509,647
Deferred Outflows and Inflows of Resources related to the City's Pension Plan and its Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.			<u>(857,256)</u>
Net Position of Governmental Activities			<u>\$ 21,318,286</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 17,703,530	\$ 0	\$ 17,703,530
Penalties and Interest on Delinquent Taxes	126,248	0	126,248
Rooms, Meals and Entertainment Taxes	536,607	0	536,607
Payments in Lieu of Taxes	729,640	0	729,640
Intergovernmental	932,491	0	932,491
Charges for Services	2,163,826	113,960	2,277,786
Permits, Licenses and Fees	328,601	75,986	404,587
Fines and Forfeits	18,862	0	18,862
Loan Repayments	28,444	0	28,444
Loan Interest Income	506	0	506
Investment Income	119,570	24,662	144,232
Donations	73,379	67,503	140,882
Other	29,732	0	29,732
Total Revenues	22,791,436	282,111	23,073,547
Expenditures:			
General Government	3,164,008	10,517	3,174,525
Public Safety	10,260,057	41,226	10,301,283
Public Works	4,248,401	695	4,249,096
Culture and Recreation	2,417,822	90,326	2,508,148
Community Development	658,878	0	658,878
Capital Outlay:			
General Government	20,204	0	20,204
Public Safety	196,068	112,312	308,380
Public Works	769,270	15,541	784,811
Culture and Recreation	10,345	141,851	152,196
Community Development	240,693	0	240,693
Debt Service:			
Principal	457,084	77,434	534,518
Interest	128,495	4,924	133,419
Total Expenditures	22,571,325	494,826	23,066,151
Excess/(Deficiency) of Revenues Over Expenditures	220,111	(212,715)	7,396
Other Financing Sources/(Uses):			
Insurance Proceeds	75,292	19,263	94,555
Proceeds from Sale of Land	96,410	0	96,410
Proceeds from Sale of Vehicles	0	8,356	8,356
Transfers In	0	412,478	412,478
Transfers Out	(412,478)	0	(412,478)
Total Other Financing Sources/(Uses)	(240,776)	440,097	199,321
Net Change in Fund Balances	(20,665)	227,382	206,717
Fund Balances - July 1, 2018	3,938,548	1,870,740	5,809,288
Fund Balances - June 30, 2019	\$ 3,917,883	\$ 2,098,122	\$ 6,016,005

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

CITY OF RUTLAND, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total government funds (Exhibit D)	\$	206,717
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,506,284) is allocated over their estimated useful lives and reported as depreciation expense (\$2,186,881). This is the amount by which depreciation exceeded capital outlays in the current period.		(680,597)
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(474,076)
The issuance of long-term debt (\$-0-) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$534,518) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		534,518
The issuance of loans receivable (\$20,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$28,444) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable. In addition, the City allowed for \$20,000 of loans receivable.		(28,444)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(514,664)
Governmental funds report employer benefit payments related to the City's OPEB Plan as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned net of employee contributions is reported as the City's OPEB expense. This amount is the net effect of the differences in the treatment of the City's OPEB expense.		(525,381)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		244,627
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>564,838</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>(672,462)</u></u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
ASSETS					
Current Assets:					
Cash	\$ 1,531,998	\$ 1,480,769	\$ 115,856	\$ 0	\$ 3,128,623
Restricted Cash	452,660	0	0	0	452,660
Receivables (Net of Allowance for Uncollectibles)	1,503,997	1,969,076	24,253	30,244	3,527,570
Prepaid Expenses	12,413	16,798	4,753	0	33,964
Inventory	79,657	35,131	0	0	114,788
Total Current Assets	3,580,725	3,501,774	144,862	30,244	7,257,605
Noncurrent Assets:					
Capital Assets:					
Land	2,817,569	49,360	177,000	0	3,043,929
Construction in Progress	4,069,276	569,636	0	0	4,638,912
Land Improvements	145,946	0	35,825	0	181,771
Vehicles, Machinery and Equipment	3,292,455	3,415,677	413,022	243,983	7,365,137
Buildings, Distribution and Collection Systems	18,884,849	33,190,564	0	0	52,075,413
Less: Accumulated Depreciation	(9,251,293)	(15,417,643)	(376,995)	(100,589)	(25,146,520)
Total Noncurrent Assets	19,958,802	21,807,594	248,852	143,394	42,158,642
Total Assets	23,539,527	25,309,368	393,714	173,638	49,416,247
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to the City's Participation in VMERS					
	49,845	43,873	0	0	93,718
Deferred Outflows of Resources Related to the City's Pension Plan					
	186,839	404,773	31,358	0	622,970
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits					
	69,613	163,686	133,690	0	366,989
Total Deferred Outflows of Resources	306,297	612,332	165,048	0	1,083,677
LIABILITIES					
Current Liabilities:					
Accounts Payable	334,951	337,457	1,461	0	673,869
Accrued Payroll and Benefits Payable	21,725	28,169	4,872	0	54,766
Due to Other Funds	25,034	36,616	0	105,907	167,557
Due to Others	49,910	38,815	0	0	88,725
Unearned Revenue	9,734	5,786	0	0	15,520
Accrued Interest Payable	136,718	29,768	0	0	166,486
General Obligation Bonds Payable - Current Portion	230,575	442,364	0	0	672,939
Notes Payable - Current Portion	450,000	150,000	0	0	600,000
Capital Leases Payable - Current Portion	302,824	0	0	0	302,824
Total Current Liabilities	1,561,471	1,068,975	6,333	105,907	2,742,686
Noncurrent Liabilities:					
Compensated Absences Payable	142,120	231,384	14,182	0	387,686
Other Postemployment Benefits Payable	322,143	665,907	474,288	0	1,462,338
Net Pension Liability - VMERS	80,886	71,370	0	0	152,256
Net Pension Liability - City's Pension Plan	1,409,046	3,052,603	236,483	0	4,698,132
General Obligation Bonds Payable - Noncurrent Portion	2,476,233	5,593,595	0	0	8,069,828
Capital Leases Payable - Noncurrent Portion	2,879,723	0	0	0	2,879,723
Total Noncurrent Liabilities	7,310,151	9,614,859	724,953	0	17,649,963
Total Liabilities	8,871,622	10,683,834	731,286	105,907	20,392,649
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to the City's Participation in VMERS					
	1,293	1,141	0	0	2,434
Deferred Inflows of Resources Related to the City's Pension Plan					
	392,914	851,223	65,944	0	1,310,081
Deferred Inflows of Resources Related to the City's Other Postemployment Benefits					
	18,369	37,986	27,054	0	83,409
Total Deferred Inflows of Resources	412,576	890,350	92,998	0	1,395,924
NET POSITION					
Net Investment in Capital Assets	14,522,107	15,771,635	248,852	143,394	30,685,988
Unrestricted/(Deficit)	39,519	(1,424,119)	(514,374)	(75,663)	(1,974,637)
Total Net Position/(Deficit)	\$ 14,561,626	\$ 14,347,516	\$ (265,522)	\$ 67,731	\$ 28,711,351

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

CITY OF RUTLAND, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
Operating Revenues:					
Charges for Services	\$ 3,501,766	\$ 5,365,806	\$ 127,729	\$ 277,336	\$ 9,272,637
Penalties and Interest	31,563	42,222	0	0	73,785
Other Income	<u>25,699</u>	<u>7,970</u>	<u>0</u>	<u>2,244</u>	<u>35,913</u>
Total Operating Revenues	<u>3,559,028</u>	<u>5,415,998</u>	<u>127,729</u>	<u>279,580</u>	<u>9,382,335</u>
Operating Expenses:					
Salaries and Benefits	1,135,499	1,728,323	168,522	0	3,032,344
Administrative Fees	766,083	766,083	15,000	0	1,547,166
Utilities	57,718	383,734	0	0	441,452
Insurances	134,027	187,922	0	0	321,949
Dues and Fees	40,331	12,600	3,049	0	55,980
Taxes	59,144	0	0	0	59,144
Technology	0	1,924	6,500	0	8,424
Telephone and Internet	7,161	7,216	481	0	14,858
Supplies	120,346	108,227	3,375	0	231,948
Machinery and Equipment	15,273	54,780	192	0	70,245
Repairs and Maintenance	74,222	199,145	692	0	274,059
Professional Services	137,354	53,850	7,020	279,581	477,805
Chemicals	54,608	158,669	0	0	213,277
Real Estate Lease	0	5,700	4,200	0	9,900
Sludge Disposal	0	615,401	0	0	615,401
Miscellaneous	0	425	0	0	425
Depreciation	<u>504,768</u>	<u>790,623</u>	<u>12,051</u>	<u>24,398</u>	<u>1,331,840</u>
Total Operating Expenses	<u>3,106,534</u>	<u>5,074,622</u>	<u>221,082</u>	<u>303,979</u>	<u>8,706,217</u>
Operating Income/(Loss)	<u>452,494</u>	<u>341,376</u>	<u>(93,353)</u>	<u>(24,399)</u>	<u>676,118</u>
Non-Operating Revenues/(Expenses):					
Timber Sales	71,669	0	0	0	71,669
Investment Income	21,221	9,124	0	0	30,345
Interest Expense	<u>(194,207)</u>	<u>(112,772)</u>	<u>0</u>	<u>0</u>	<u>(306,979)</u>
Total Non-Operating Revenues/(Expenses)	<u>(101,317)</u>	<u>(103,648)</u>	<u>0</u>	<u>0</u>	<u>(204,965)</u>
Net Income/(Loss) Before Capital Contributions and Transfers	<u>351,177</u>	<u>237,728</u>	<u>(93,353)</u>	<u>(24,399)</u>	<u>471,153</u>
Capital Contributions and Transfers:					
Capital Contributions	529,009	0	0	0	529,009
Transfers In	108,867	0	0	0	108,867
Transfers Out	<u>0</u>	<u>(108,867)</u>	<u>0</u>	<u>0</u>	<u>(108,867)</u>
Total Capital Contributions and Transfers	<u>637,876</u>	<u>(108,867)</u>	<u>0</u>	<u>0</u>	<u>529,009</u>
Change in Net Position	989,053	128,861	(93,353)	(24,399)	1,000,162
Net Position/(Deficit) - July 1, 2018	<u>13,572,573</u>	<u>14,218,655</u>	<u>(172,169)</u>	<u>92,130</u>	<u>27,711,189</u>
Net Position/(Deficit) - June 30, 2019	<u>\$ 14,561,626</u>	<u>\$ 14,347,516</u>	<u>\$ (265,522)</u>	<u>\$ 67,731</u>	<u>\$ 28,711,351</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 3,521,372	\$ 5,392,605	\$ 158,382	\$ 327,408	\$ 9,399,767
Payments for Goods and Services	(692,002)	(1,778,046)	(26,210)	(301,088)	(2,797,346)
Payments for Interfund Services	(766,083)	(766,083)	(15,000)	0	(1,547,166)
Payments for Wages and Benefits	<u>(1,023,754)</u>	<u>(1,711,811)</u>	<u>(132,708)</u>	<u>0</u>	<u>(2,868,273)</u>
Net Cash Provided/(Used) by Operating Activities	<u>1,039,533</u>	<u>1,136,665</u>	<u>(15,536)</u>	<u>26,320</u>	<u>2,186,982</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds from Timber Sales	71,669	0	0	0	71,669
Decrease/(Increase) in Due from Other Funds	0	82,028	234	0	82,262
(Decrease)/Increase in Due to Other Funds	(36,003)	36,616	0	(26,320)	(25,707)
Transfers Received from Other Funds	108,867	0	0	0	108,867
Transfers Paid to Other Funds	<u>0</u>	<u>(108,867)</u>	<u>0</u>	<u>0</u>	<u>(108,867)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>144,533</u>	<u>9,777</u>	<u>234</u>	<u>(26,320)</u>	<u>128,224</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from Long-term Debt	4,241,554	52,057	0	0	4,293,611
Acquisition and Construction of Capital Assets	(4,186,826)	(243,523)	0	0	(4,430,349)
Principal Paid on Long-term Debt	(673,822)	(563,786)	0	0	(1,237,608)
Interest Paid on Long-term Debt	<u>(82,883)</u>	<u>(113,333)</u>	<u>0</u>	<u>0</u>	<u>(196,216)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(701,977)</u>	<u>(868,585)</u>	<u>0</u>	<u>0</u>	<u>(1,570,562)</u>
Cash Flows From Investing Activities:					
Receipt of Interest and Dividends	<u>21,221</u>	<u>9,124</u>	<u>0</u>	<u>0</u>	<u>30,345</u>
Net Cash Provided by Investing Activities	<u>21,221</u>	<u>9,124</u>	<u>0</u>	<u>0</u>	<u>30,345</u>
Net Increase/(Decrease) in Cash	503,310	286,981	(15,302)	0	774,989
Cash and Restricted Cash - July 1, 2018	<u>1,481,348</u>	<u>1,193,788</u>	<u>131,158</u>	<u>0</u>	<u>2,806,294</u>
Cash and Restricted Cash - June 30, 2019	<u>\$ 1,984,658</u>	<u>\$ 1,480,769</u>	<u>\$ 115,856</u>	<u>\$ 0</u>	<u>\$ 3,581,283</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	\$ 452,494	\$ 341,376	\$ (93,353)	\$ (24,399)	\$ 676,118
Depreciation	504,768	790,623	12,051	24,398	1,331,840
(Increase)/Decrease in Receivables	(81,895)	(57,426)	30,653	47,828	(60,840)
(Increase)/Decrease in Prepaid Expenses	1,492	1,097	(325)	0	2,264
(Increase)/Decrease in Inventory	(17,499)	(6,720)	0	0	(24,219)
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Participation in VMERS	2,069	(12,598)	0	0	(10,529)
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Pension Plan	101,499	315,843	17,383	0	434,725
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	77,717	23,379	31,394	0	132,490
Increase/(Decrease) in Accounts Payable	24,189	17,170	(376)	(21,507)	19,476
Increase/(Decrease) in Accrued Payroll and Benefits Payable	8,245	(4,979)	3,518	0	6,784
Increase/(Decrease) in Due to Others	45,680	31,055	0	0	76,735
Increase/(Decrease) in Unearned Revenue	(1,441)	2,978	0	0	1,537
Increase/(Decrease) in Compensated Absences Payable	11,679	(18,795)	2,259	0	(4,857)
Increase/(Decrease) in Other Postemployment Benefits Payable	(219,933)	(3,984)	(60,448)	0	(284,365)
Increase/(Decrease) in Net Pension Liability - VMERS	12,964	30,452	0	0	43,416
Increase/(Decrease) in Net Pension Liability - City's Pension Plan	103,490	(210,257)	15,797	0	(90,970)
Increase/(Decrease) in Deferred Inflows of Resources Related to the City's Participation in VMERS	(388)	128	0	0	(260)
Increase/(Decrease) in Deferred Inflows of Resources Related to the City's Pension Plan	(3,966)	(140,663)	(1,143)	0	(145,772)
Increase/(Decrease) in Deferred Inflows of Resources Related to the City's Other Postemployment Benefits	<u>18,369</u>	<u>37,986</u>	<u>27,054</u>	<u>0</u>	<u>83,409</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,039,533</u>	<u>\$ 1,136,665</u>	<u>\$ (15,536)</u>	<u>\$ 26,320</u>	<u>\$ 2,186,982</u>

The Water Fund recognized a forgiveness of debt from the State of Vermont in the amounts of \$529,009.

There was \$102,864 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2018.

There was \$270,982 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2019.

There was \$231,476 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2019.

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

CITY OF RUTLAND, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Pension Trust Fund	Private-Purpose Trust Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 0	\$ 95,692
Investments	91,634,642	367,384
Receivables - Employer and Employees	146,351	0
Total Assets	91,780,993	463,076
<u>LIABILITIES</u>		
Liabilities:	0	0
<u>NET POSITION</u>		
Restricted:		
Held in Trust For:		
Employees' Pension Benefits	91,780,993	0
Other Purposes	0	463,076
Total Net Position	\$ 91,780,993	\$ 463,076

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

CITY OF RUTLAND, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Pension Trust Fund	Private-Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Employer Contributions	\$ 3,643,739	\$ 0
Employee Contributions	1,425,014	0
Investment Income	5,772,311	32,581
Donations	<u>0</u>	<u>800</u>
Total Additions	<u>10,841,064</u>	<u>33,381</u>
Deductions:		
Benefits - Pension	6,632,374	0
Administrative Expenses	52,170	0
Music Programs	0	5,000
Miscellaneous	<u>0</u>	<u>71</u>
Total Deductions	<u>6,684,544</u>	<u>5,071</u>
Change in Net Position	4,156,520	28,310
Net Position - July 1, 2018	<u>87,624,473</u>	<u>434,766</u>
Net Position - June 30, 2019	<u>\$ 91,780,993</u>	<u>\$ 463,076</u>

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

The City of Rutland, Vermont (herein the "City") is a municipal corporation governed by twelve (12) elected officials – a mayor and eleven (11) aldermen representing four (4) wards. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, culture and recreation, community and economic development, health and social services, public improvements, planning and zoning, water, sewer and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

This report includes all of the activity of the City of Rutland, Vermont. The financial 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 impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. The Rutland Redevelopment Authority is the only entity that meets this definition and, as a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Based on these criteria, there are no other entities that should be combined with the financial statements of the City.

The Rutland Redevelopment Authority is a special-purpose municipal corporation formed in 1989 to promote economic opportunity and planning within the City. It is governed by a Board of Commissioners appointed by the Mayor and Board of Aldermen.

B. Basis of Presentation

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

The basic financial statements of the City include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the City as a whole and present a longer-term view of the City's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the City and present a shorter-term view 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 the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The City reports on the following major governmental fund:

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

The City reports on the following major enterprise funds:

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

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

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Additionally, the City reports the following fund types:

Pension Trust Fund – This fund accounts for monies contributed by the City and the Rutland Public Schools and their employees and the income on investments expended for the pensions of retired City and Rutland Public School’s employees.

Private-Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for the benefit of individuals. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

E. Use of Estimates

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

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

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

2. Investments

The City invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

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

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due from/to other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

5. Inventories, Prepaid Expenses and Deposits

Inventory quantities are determined by a physical count and are valued at the lower of cost or market. Inventories in the governmental funds consist of materials and inventories in the proprietary funds consist of chemicals and materials.

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

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

6. Pensions

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

CITY OF RUTLAND, VERMONT
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7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year June 30, 2004. The City has elected to not report major general infrastructure assets retroactively. The City has not capitalized any interest costs.

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land and Easements	\$ 5,000	N/A
Land Improvements	\$ 5,000	10-20 Years
Buildings and Building Improvements	\$ 5,000	10-50 Years
Vehicles, Machinery and Equipment	\$ 5,000	2-20 Years
Infrastructure	\$ 5,000	2-50 Years
Distribution and Collection Systems	\$ 5,000	50-100 Years

CITY OF RUTLAND, VERMONT
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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 incurred.

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

10. Other Postemployment Benefits

Employees of the City are eligible for continued health, dental, vision and life benefits in retirement as prescribed in each of the City's union agreements. Employees must retire under the pension plan, but are eligible for other postemployment benefits upon either early or normal retirement. Employees terminating prior to meeting the requirements for an early or normal pension are not eligible for other postemployment benefits. Fire Department employees must attain age 62 or reach their age plus service equal to 85. Police Department employees must attain age 62 or reach their age plus service equal to 80. General, non-union employees must attain age 62 or reach their age plus service equal to 80. Public works employees hired prior to October 1, 2011 must attain age 62 or reach their age plus service equal to 85. Public works employees hired after October 1, 2011 must have twenty (20) years of service and attain age 62 to be eligible for postemployment health benefits.

11. Long-term Liabilities

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

12. Fund Equity

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

CITY OF RUTLAND, VERMONT
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**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

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

Other post-employment benefit related differences arise because governmental funds report the current year’s employer benefit payments as current period expenditures whereas government-wide statements report those transactions as deferred outflows of resources if made after the measurement date. In addition, the accrual for the City’s net OPEB liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

CITY OF RUTLAND, VERMONT
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Mayor prepares an annual budget for the General Fund which is reviewed and approved by the Board of Aldermen. The Board of Aldermen can only reduce the budget. The annual budget and other articles providing for the appropriation of funds are voted by Australian ballot at the annual City meeting in March. Any amendments to the budget require voter approval. There were no amendments to the budget. The budget presented herein is for the City's "General Fund" only and does not include the Property Escrow Fund, the Zamias Impact Fee Fund, the Special Business Revolving Loan Fund and the Business Incentive Program Fund activity that is included with the General Fund. There was no activity in the Property Escrow Fund during the year.

B. Budgeted Deficit

The City budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$250,083 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2019, expenditures in the General Fund exceeded appropriations by \$840,752. These over-expenditures were funded by excess revenues.

D. Separate Financial Statements

Separately issued financial reports are available for the Rutland Redevelopment Authority. Additional disclosures pertaining to this fund can be found in the separately issued financial statements.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

The City's cash, cash equivalents and investments as of June 30, 2019 consisted of the following:

Restricted Cash:	
Deposits with Financial Institutions	\$ <u>452,660</u>
Unrestricted Cash:	
Deposits with Financial Institutions	8,891,301
Deposits with Investment Company	394,610
Money Market Mutual Funds – U.S. Government Securities	66,527
Cash on Hand	<u>2,315</u>
Total Unrestricted Cash	<u>9,354,753</u>
Total Cash	<u>9,807,413</u>

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Investments:

Certificates of Deposit	\$ 125,628
Common Stock	343,538
Exchange-Traded Funds	53,951
Foreign Equities	11,672
Preferred Stock	17,633
Corporate Bonds	75,133
U.S. Treasury Notes	127,054
Mutual Funds – Mixed Holdings	84,339,601
Annuity Contract	<u>7,499,195</u>
 Total Investments	 <u>92,593,405</u>
 Total Cash and Investments	 <u>\$102,400,818</u>

The City has five (5) certificates of deposit with various banks ranging from \$25,061 to \$25,183 with interest rates ranging from 2.45% to 2.80%. All certificates of deposit will mature by fiscal year 2024.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City does not have any policy to limit the exposure to custodial credit risk. The money market mutual funds, common stock, exchange-traded funds, foreign equities, preferred stock, corporate bonds, U.S. Treasury notes and mutual funds are in the name of the City and are not exposed to custodial credit risk. The annuity contract is a group annuity product issued by Prudential Retirement Insurance and Annuity Company (PRIAC). The following table shows the custodial credit risk of the City's cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 668,590	\$ 668,590
Uninsured, Collateralized by Money Market Mutual Fund Consisting of U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	4,088,614	4,088,614
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	3,657,710	3,657,710
Insured by Letter of Credit Issued by Federal Home Loan Bank	1,246,625	1,818,324
Uninsured, Uncollateralized	<u>202,660</u>	<u>202,660</u>
 Total	 <u>\$9,864,199</u>	 <u>\$10,435,898</u>

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Restricted Cash – Deposits with Financial Institutions	\$ 452,660
Cash – Deposits with Financial Institutions	8,891,301
Cash – Deposits with Investment Company	394,610
Investments – Certificates of Deposit	<u>125,628</u>
Total	<u>\$9,864,199</u>

The Rutland Redevelopment Authority had deposits with financial institutions with a book and bank balance of \$168,218 which was fully insured by the FDIC. These amounts are included in the previous tables.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have any policy to limit the exposure to interest rate risk. The City’s certificates of deposit, common stock, exchange-traded funds, foreign equities, preferred stock and annuity contract are not subject to interest rate risk disclosure. The money market mutual funds and mutual funds are open-ended and, therefore, also exempt from interest rate disclosure.

Information about the sensitivity of the fair values of the City’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity. The corporate bonds and U.S. Treasury notes are shown at their actual maturity.

Investment Type	Remaining Maturity		Total
	1 to 5 Years	5 to 10 Years	
Corporate Bonds	\$ 0	\$ 75,133	\$ 75,133
U.S. Treasury Notes	<u>76,050</u>	<u>51,004</u>	<u>127,054</u>
Total	<u>\$ 76,050</u>	<u>\$ 126,137</u>	<u>\$ 202,187</u>

CITY OF RUTLAND, VERMONT
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Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The City does not have any policy to limit the exposure to credit risk. The City's certificates of deposit, common stock, exchange-traded funds, foreign equities, preferred stock, U.S. Treasury notes and annuity contract are exempt from credit risk analysis. The money market mutual funds and mutual funds are open-ended and are, therefore, also excluded from the credit risk analysis. The credit ratings for the corporate bonds are as follows:

Investment Type	Standard and Poor's Rating as of 6/30/2019			Total
	AA+	AA-	BBB	
Corporate Bonds	\$ 25,558	\$ 25,351	\$ 24,224	\$ 75,133

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the City's investments are held within one security. The City does not have any limitations on the amount that can be invested in any one issuer. The City's certificates of deposit, common stock, exchange-traded funds, foreign equities, preferred stock and U.S. Treasury notes are exempt from concentration of credit risk analysis. The money market mutual funds and mutual funds are open ended and are, therefore, also excluded from the concentration of credit risk analysis. The City has \$7,499,195 (8%) of their investments in a guaranteed deposit account with PRIAC. There are no other investments in any one issuer that represent more than 5% of total investments.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application." The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The City's certificates of deposit are not subject to fair value disclosures. Annuity contracts are valued at cash surrender value, and therefore, are not included in this disclosure.

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

CITY OF RUTLAND, VERMONT
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The City has the following fair value measurements as of June 30, 2019:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Common Stock	\$ 343,538	\$ 343,538	\$ 0	\$ 0
Exchange-Traded Funds	53,951	53,951	0	0
Foreign Equities	11,672	11,672	0	0
Preferred Stock	17,633	17,633	0	0
Corporate Bonds	75,133	75,133	0	0
U.S. Treasury Notes	127,054	127,054	0	0
Mutual Funds - Mixed Holdings	84,339,601	84,339,601	0	0
Total	\$ 84,968,582	\$ 84,968,582	\$ 0	\$ 0

Subsequent to year-end, there have been significant fluctuations in the stock market affecting the fair value of the City's investments.

Restricted Cash

In 2019, the City entered into a \$3,072,437 lease agreement with Municipal Leasing Consultants, LLC for the acquisition and installation of water meters including the integration with the FATHOM platform. Unspent lease proceeds and the interest earned are restricted and may only be used for project costs. The amount restricted as of June 30, 2019 is \$452,660.

B. Receivables

Receivables as of June 30, 2019, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 1,372,153	\$ 0	\$ 1,372,153
Penalties, Interest and Related Fees Receivable	439,862	0	439,862
Tax Sale Receivable	8,941	0	8,941
Bankruptcy Receivable	15,590	5,181	20,771
Rooms, Meals and Entertainment Taxes Receivable	41,695	0	41,695
Impact Fees Receivable	498,421	0	498,421
Parking Tickets Receivable	0	503,040	503,040
Grants Receivable	244,429	0	244,429
Accounts Receivable	106,298	8,391	114,689
Due from State of Vermont	0	30,244	30,244
Billed Services	0	2,567,267	2,567,267
Unbilled Services	0	894,000	894,000
Allowance for Doubtful Accounts - Taxes and Related Fees	(221,031)	0	(221,031)
Allowance for Doubtful Accounts - Parking Tickets	0	(480,553)	(480,553)
Total	\$ 2,506,358	\$ 3,527,570	\$ 6,033,928

The Rutland Redevelopment Authority had \$152 of miscellaneous receivables as of June 30, 2019.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

C. Loans Receivable

Loans receivable as of June 30, 2019 are as follows:

Loan Receivable, Columbian Ave, Interest at 0%, Deferred Until June 7, 2026 at which Time all Principal is Due, Secured by Real Estate	\$ 280,200
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Loan Receivable, Rutland Housing Partnership, Interest at 0%, Deferred Until October 6, 2040 at Which Time all Principal is Due, Secured by Real Estate	750,000
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Loan Receivable, Tuttle Block Housing Limited Partnership, Interest at 0%, Deferred Until August 10, 2034 at Which Time all Principal is Due, Secured by Real Estate	600,000
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Loan Receivable, Rutland County Community Land Trust, Interest at 0%, Due May 6, 2026, Payable only Upon Sale or Change in Use of Building, Forgiven over Term of Loan	74,341
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Loan Receivable, Hickory Street, Interest at 0%, Deferred Until November 1, 2043 at Which Time all Principal is Due, Secured by Real Estate	147,000
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Loan Receivable, Hickory Street, Interest at 0%, Deferred Until October 1, 2047 at Which Time all Principal is Due, Secured by Real Estate	250,000
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Loans Receivable, 6 Business Incentive Loans, Forgivable in Three Years from the Effective Date Upon Completion of Certain Investments by the Borrower, Secured by Personal Guarantee	60,000
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Loans Receivable, 9 Business Loans, Monthly Principal and Interest Payments, Interest Rates Ranging from 0% to 2%, Various Due Dates, Secured by Business Assets	<u>86,341</u>
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Total	2,247,882
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Less: Allowance for Doubtful Loans Receivable	<u>(2,161,541)</u>
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Reported Value as of June 30, 2019	<u>\$ 86,341</u>
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The Rutland Redevelopment Authority had the following loan receivable as of June 30, 2019:

Loan Receivable, Business Incentive Loan through the Heritage Family Federal Credit Union, Due in Seventy-Two (72) Payments of \$644 Including Interest at Five Percent (5%), Secured by Business Assets of the Company	<u>\$8,534</u>
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CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

D. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 4,560,286	\$ 14,844	\$ 468,013	\$ 4,107,117
Construction in Progress	419,800	240,693	280,862	379,631
Total Capital Assets, Not Being Depreciated	<u>4,980,086</u>	<u>255,537</u>	<u>748,875</u>	<u>4,486,748</u>
Capital Assets, Being Depreciated:				
Land Improvements	4,074,089	280,862	0	4,354,951
Buildings and Building Improvements	10,222,063	265,202	0	10,487,265
Vehicles, Machinery and Equipment	11,393,687	363,569	945,003	10,812,253
Infrastructure	60,694,602	621,976	0	61,316,578
Totals	<u>86,384,441</u>	<u>1,531,609</u>	<u>945,003</u>	<u>86,971,047</u>
Less Accumulated Depreciation for:				
Land Improvements	992,168	171,453	0	1,163,621
Buildings and Building Improvements	3,750,231	232,180	0	3,982,411
Vehicles, Machinery and Equipment	7,629,342	553,533	938,940	7,243,935
Infrastructure	33,900,993	1,229,715	0	35,130,708
Totals	<u>46,272,734</u>	<u>2,186,881</u>	<u>938,940</u>	<u>47,520,675</u>
Total Capital Assets, Being Depreciated	<u>40,111,707</u>	<u>(655,272)</u>	<u>6,063</u>	<u>39,450,372</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,091,793</u>	<u>\$ (399,735)</u>	<u>\$ 754,938</u>	<u>\$ 43,937,120</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,043,929	\$ 0	\$ 0	\$ 3,043,929
Construction in Progress	319,223	4,319,689	0	4,638,912
Total Capital Assets, Not Being Depreciated	<u>3,363,152</u>	<u>4,319,689</u>	<u>0</u>	<u>7,682,841</u>
Capital Assets, Being Depreciated:				
Land Improvements	181,771	0	0	181,771
Vehicles, Machinery and Equipment	7,065,650	299,487	0	7,365,137
Buildings, Distribution and Collection Systems	51,864,646	210,767	0	52,075,413
Totals	<u>59,112,067</u>	<u>510,254</u>	<u>0</u>	<u>59,622,321</u>
Less Accumulated Depreciation for:				
Land Improvements	24,894	16,351	0	41,245
Vehicles, Machinery and Equipment	4,692,770	302,544	0	4,995,314
Buildings, Distribution and Collection Systems	19,097,016	1,012,945	0	20,109,961
Totals	<u>23,814,680</u>	<u>1,331,840</u>	<u>0</u>	<u>25,146,520</u>
Total Capital Assets, Being Depreciated	<u>35,297,387</u>	<u>(821,586)</u>	<u>0</u>	<u>34,475,801</u>
Business-type Activities Capital Assets, Net	<u>\$ 38,660,539</u>	<u>\$ 3,498,103</u>	<u>\$ 0</u>	<u>\$ 42,158,642</u>

CITY OF RUTLAND, VERMONT
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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 49,128	Water	\$ 504,768
Public Safety	284,722	Sewer	790,623
Public Works	1,504,845	Parking Meter	12,051
Culture and Recreation	288,520	Transit Center Management	<u>24,398</u>
Community Development	<u>59,666</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	<u>\$ 2,186,881</u>		<u>\$ 1,331,840</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2019 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 23,173	\$ 0
Non-Major Governmental Funds	147,073	2,689
Water Fund	0	25,034
Sewer Fund	0	36,616
Transit Center Management Fund	<u>0</u>	<u>105,907</u>
Total	<u>\$ 170,246</u>	<u>\$ 170,246</u>

Interfund transfers during the year ended June 30, 2019 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Zamias Impact Fee Fund	\$ 85,025	* Fund Center Street Market Project
General Fund	Business Incentive Program Fund	75,978	* Fund Business Incentive Loan Program
General Fund	Equipment Replacement Fund	120,000	Appropriation
General Fund	Equipment Replacement Fund	7,945	Transfer Special Events Fees Collected in Excess of Budget for Police Equipment
General Fund	Fire Equipment Fund	175,000	Appropriation
General Fund	Bridge Fund	60,000	Transfer Prior Year Bridgework Budget Surplus
General Fund	Sidewalk Fund	49,533	Transfer Prior Year Sidewalk Budget Surplus
Sewer Fund	Water Fund	<u>108,867</u>	Fund Portion of Expenses Related to FATHOM Installation and Integration
Total		<u>\$ 682,348</u>	

* The transfers from the General Fund to the Zamias Impact Fee Fund and the Business Incentive Program Fund are netted within the General Fund as these funds are consolidated within the General Fund in order to comply with GASB Statement No. 54.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$193,417 from the difference between the expected and actual experience, \$258,071 from the difference between the projected and actual investment earnings, \$246,583 from changes in assumptions and \$335,086 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$340,260 of required employer pension contributions subsequent to the measurement date. It also includes \$146,817 from the difference between the expected and actual experience, \$77,251 from changes in assumptions, \$769,121 from the difference between the projected and actual investment earnings and \$996,969 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$1,574,052 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$351,339 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$5,288,966.

Deferred outflows of resources in the business-type activities consists of \$13,224 from the difference between the expected and actual experience, \$17,646 from the difference between the projected and actual investment earnings, \$16,860 from changes in assumptions and \$22,912 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$23,076 of required employer pension contributions subsequent to the measurement date. It also includes \$45,957 from the difference between the expected and actual experience, \$24,181 from changes in assumptions, \$240,754 from the difference between the projected and actual investment earnings and \$312,078 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$315,793 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$51,196 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$1,083,677.

Deferred outflows of resources in the Water Fund consists of \$7,025 from the difference between the expected and actual experience, \$9,374 from the difference between the projected and actual investment earnings, \$8,957 from changes in assumptions and \$12,171 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$12,318 of required employer pension contributions subsequent to the measurement date. It also includes \$13,783 from the difference between the expected and actual experience, \$7,252 from changes in assumptions, \$72,206 from the difference between the projected and actual investment earnings and \$93,598 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$69,546 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$67 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$306,297.

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Deferred outflows of resources in the Sewer Fund consists of \$6,199 from the difference between the expected and actual experience, \$8,272 from the difference between the projected and actual investment earnings, \$7,903 from changes in assumptions and \$10,741 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$10,758 of required employer pension contributions subsequent to the measurement date. It also includes \$29,861 from the difference between the expected and actual experience, \$15,712 from changes in assumptions, \$156,430 from the difference between the projected and actual investment earnings and \$202,770 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$143,817 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$19,869 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$612,332.

Deferred outflows of resources in the Parking Meter Fund consists of \$2,313 from the difference between the expected and actual experience, \$1,217 from changes in assumptions, \$12,118 from the difference between the projected and actual investment earnings and \$15,710 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$102,430 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$31,260 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the Parking Meter Fund is \$165,048.

G. Unearned Revenue

Unearned revenue in the General Fund consists of \$117,749 of recreation fees received in advance.

Unearned revenue in the business-type activities consists of \$15,520 of user fees received in advance.

Unearned revenue in the Water Fund consists of \$9,734 of user fees received in advance.

Unearned revenue in the Sewer Fund consists of \$5,786 of user fees received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$13,875 of prepaid property taxes. It also includes \$35,606 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$799,706 from the difference between the expected and actual experience, \$1,082,554 from changes in assumptions, \$716,264 from the difference between the projected and actual investment earnings and \$1,586,701 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$415,744 from the difference between the expected and actual experience related to the City's single-employer defined benefit OPEB plan. Total deferred inflows of resources in the governmental activities is \$4,650,450.

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Deferred inflows of resources in the business-type activities consists of \$2,434 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$250,327 from the difference between the expected and actual experience, \$338,867 from changes in assumptions, \$224,209 from the difference between the projected and actual investment earnings and \$496,678 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$83,409 from the difference between the expected and actual experience related to the City's single-employer defined benefit OPEB plan. Total deferred inflows of resources in the business-type activities is \$1,395,924.

Deferred inflows of resources in the Water Fund consists of \$1,293 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$75,077 from the difference between the expected and actual experience, \$101,632 from changes in assumptions, \$67,244 from the difference between the projected and actual investment earnings and \$148,961 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$18,369 from the difference between the expected and actual experience related to the City's single-employer defined benefit OPEB plan. Total deferred inflows of resources in the Water Fund is \$412,576.

Deferred inflows of resources in the Sewer Fund consists of \$1,141 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$162,650 from the difference between the expected and actual experience, \$220,178 from changes in assumptions, \$145,679 from the difference between the projected and actual investment earnings and \$322,716 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$37,986 from the difference between the expected and actual experience related to the City's single-employer defined benefit OPEB plan. Total deferred inflows of resources in the Sewer Fund is \$890,350.

Deferred inflows of resources in the Parking Meter Fund consists of \$12,600 from the difference between the expected and actual experience, \$17,057 from changes in assumptions, \$11,286 from the difference between the projected and actual investment earnings and \$25,001 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. It also includes \$27,054 from the difference between the expected and actual experience related to the City's single-employer defined benefit OPEB plan. Total deferred inflows of resources in the Parking Meter Fund is \$92,998.

Deferred inflows of resources in the General Fund consists of \$13,875 of prepaid property taxes and \$1,478,365 of delinquent property taxes, penalties, interest and related fees on those taxes, \$97,091 of miscellaneous fees and \$498,421 of impact fees not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$86,341 of loans receivable. Total deferred inflows of resources in the General Fund is \$2,174,093.

CITY OF RUTLAND, VERMONT
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I. Long-term Liabilities

The City issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

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

The City has other notes payable to finance capital projects and current expenses through a local bank.

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

The State of Vermont offers a number of low and negative interest revolving loan programs to utilize for predetermined purposes. The City has borrowed money from the State of Vermont Special Environmental Revolving Fund for water and sewer projects.

It is the policy of the City to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Employees of the City are eligible for continued health, dental, vision and life benefits in retirement as prescribed in each of the City's union agreements. The accrual for the City's other postemployment benefits liability is recorded in the government-wide financial statements and proprietary fund financial statements.

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

CITY OF RUTLAND, VERMONT
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Long-term liabilities outstanding as of June 30, 2019 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Capital Improvements, Principal Payments of \$140,000 Payable on December 1 Annually, Interest Ranging from 5.48% to 5.64% Payable on June 1 and December 1, Due December, 2020	\$ 420,000	\$ 0	\$140,000	\$ 280,000
Bond Payable, U.S. Department of Agriculture, Library Roof, Principal Payments of \$46,320 Payable on November 15 Annually, Interest at 3.75% Payable on May 15 and November 15, Due November, 2021	185,280	0	46,320	138,960
Bond Payable, Vermont Municipal Bond Bank, Bridge Improvements, Principal Payments of \$33,333 Payable on November 15 Annually, Interest at 3.53% Payable on May 15 and November 15, Due November, 2042	833,325	0	33,333	799,992
Note Payable, Community Bank, N.A., Capital Improvements, Principal Payments of \$35,000 Payable on November 17 Annually, Interest at 2.45%, Due November, 2024	245,000	0	35,000	210,000
Bond Payable, Vermont Municipal Bond Bank, Bridge Improvements, Principal Payments of \$33,334 Payable on November 1 Annually, Interest Ranging from 0.83% to 4.40% Payable on May 1 and November 1, Due November, 2045	933,334	0	33,334	900,000
Bond Payable, Vermont Municipal Bond Bank, White's Pool, Principal Payments of \$125,000 Payable on November 1 Annually, Interest Ranging from 1.49% to 3.09% Payable on May 1 and November 1, Due November, 2036	2,375,000	0	125,000	2,250,000

CITY OF RUTLAND, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, John Deere Credit, 2015 Backhoe, Principal and Interest Payments of \$23,202 Payable on October 19 Annually, Interest at 2%, Due October, 2019	\$ 45,037	\$ 0	\$ 22,302	\$ 22,735
Capital Lease Payable, Ford Motor Credit, (3) 2017 Police Cruisers, Principal and Interest Payments of \$29,582 Payable on February 24 Annually, Interest at 4.5%, Due and Paid February, 2019	28,308	0	28,308	0
Capital Lease Payable, Ford Motor Credit, (3) 2018 Police Cruisers, Principal and Interest Payments of \$29,574 Payable on February 16 Annually, Interest at 5.0%, Due February, 2020	54,989	0	26,824	28,165
Capital Lease Payable, KS StateBank, 2018 International Truck, Principal and Interest Payments of \$49,228 Payable on November 15 Annually, Interest at 2.79%, Due November, 2021	<u>183,909</u>	<u>0</u>	<u>44,097</u>	<u>139,812</u>
Total Governmental Activities	<u>\$5,304,182</u>	<u>\$ 0</u>	<u>\$534,518</u>	<u>\$4,769,664</u>

Business-type Activities:

Water Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Community Bank, N.A., Current Expense Note, Principal Payments of \$600,000 Payable on June 30 Annually, Interest at 2.75%, Due June, 2020. This is the Water Fund Portion of the Note.	\$ 900,000	\$ 0	\$ 450,000	\$ 450,000
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments of \$95,000 Payable on December 1 Annually, Interest Ranging from 4.43% to 5.00% Payable on June 1 and December 1, Due December, 2022	475,000	0	95,000	380,000

CITY OF RUTLAND, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Roof Repair, Principal and Interest Payments of \$115,546 Payable on December 1 Annually, 1% Interest, 2% Administrative Fee, Due December, 2032	\$1,379,386	\$ 0	\$ 74,165	\$1,305,221
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Authorized to \$1,201,393 but Eligible for \$567,527 Principal Forgiveness, First Principal Payment of \$24,129 Paid in April, 2019, Remaining Principal Payments of \$21,025 Payable April 1 Annually, 0% Interest, Due April, 2048. The City Recognized the Remaining \$257,134 of the Principal Forgiveness during the Year.	470,798	420,202	281,263	609,737
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Authorized to \$1,900,000 but Eligible for \$755,208 Principal Forgiveness, Principal Payments of \$38,160 Payable on April 1 Annually Beginning April, 2020 0% Interest, Due April, 2049. The City Recognized \$271,875 of the Principal Forgiveness during the Year.	75,448	608,277	271,875	411,850
Capital Lease Payable, Municipal Leasing Consultants, LLC, Kenworth Tandem Truck, Principal and Interest Payments of \$30,528 Payable on December 14 Annually, Interest at 4.27%, Due December, 2022	0	140,638	30,528	110,110
Capital Lease Payable, Municipal Leasing Consultants, LLC, Water Meters and FATHOM Platform, Principal and Interest Payments of \$272,296 Payable on July 27 Annually Beginning July, 2019, Interest at 3.79%, Due July, 2033	<u>0</u>	<u>3,072,437</u>	<u>0</u>	<u>3,072,437</u>
Total Water Fund	<u>3,300,632</u>	<u>4,241,554</u>	<u>1,202,831</u>	<u>6,339,355</u>

CITY OF RUTLAND, VERMONT
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Sewer Fund:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Deletions</u>		<u>Ending Balance</u>
Note Payable, Community Bank, N.A., Current Expense Note, Principal Payments of \$600,000 Payable on June 30 Annually, Interest at 2.75%, Due June, 2020. This is the Sewer Fund Portion of the Note.	\$ 300,000	\$	0	\$	150,000	\$	150,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Construction, Principal Payments of \$160,000 Payable on July 1 Annually, 0% Interest, Due July, 2027	1,600,000		0		160,000		1,440,000
Bond Payable, Vermont Municipal Bond Bank, CSO Construction, Principal Payments of \$80,000 Payable on November 1 Annually, Interest Ranging from 4.33% to 4.67% Payable on May 1 and November 1, Due November, 2027	800,000		0		80,000		720,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO West/Crescent Street Improvements, Principal and Administrative Fee Payments of \$28,212 Payable on October 1 Annually, 0% Interest, 2% Administrative Fee, Due October, 2031	341,546		0		21,381		320,165
Bond Payable, State of Vermont Special Environmental Revolving Fund, Stormwater Engineering Project, Principal and Administrative Fee Payments of \$222,025 Payable on March 1 Annually, 0% Interest, 2% Administrative Fee, Due March, 2037	3,481,014		0		152,405		3,328,609

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer System Improvements, Authorized to \$251,022, Principal Payments of \$25,102 Payable on August 1 Annually Beginning August, 2021, 0% Interest, Due August, 2030	\$ <u>175,128</u>	\$ <u>52,057</u>	\$ <u>0</u>	\$ <u>227,185</u>
Total Sewer Fund	<u>6,697,688</u>	<u>52,057</u>	<u>563,786</u>	<u>6,185,959</u>
Total Business-type Activities	<u>\$9,998,320</u>	<u>\$4,293,611</u>	<u>\$1,766,617</u>	<u>\$12,525,314</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 4,746,939	\$ 0	\$ 377,987	\$ 4,368,952	\$ 377,986
Notes Payable	245,000	0	35,000	210,000	35,000
Capital Leases Payable	312,243	0	121,531	190,712	102,004
Compensated Absences Payable	2,700,764	0	564,758	2,136,006	0
Other Postemployment Benefits Payable	7,563,008	0	276,164	7,286,844	0
Net Pension Liability - VMERS	1,634,774	591,963	0	2,226,737	0
Net Pension Liability - City's Pension Plan	<u>15,835,801</u>	<u>0</u>	<u>827,002</u>	<u>15,008,799</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 33,038,529</u>	<u>\$ 591,963</u>	<u>\$ 2,202,442</u>	<u>\$ 31,428,050</u>	<u>\$ 514,990</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 8,798,320	\$ 1,080,536	\$ 1,136,089	\$ 8,742,767	\$ 672,939
Notes Payable	1,200,000	0	600,000	600,000	600,000
Capital Leases Payable	0	3,213,075	30,528	3,182,547	302,824
Compensated Absences Payable	392,543	0	4,857	387,686	0
Other Postemployment Benefits Payable	1,746,703	0	284,365	1,462,338	0
Net Pension Liability - VMERS	108,840	43,416	0	152,256	0
Net Pension Liability - City's Pension Plan	<u>4,789,102</u>	<u>0</u>	<u>90,970</u>	<u>4,698,132</u>	<u>0</u>
Total Business-type Activities					
Long-term Liabilities	<u>\$ 17,035,508</u>	<u>\$ 4,337,027</u>	<u>\$ 2,146,809</u>	<u>\$ 19,225,726</u>	<u>\$ 1,575,763</u>

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the other postemployment benefits liability and net pension liability is allocated to the function where the employee is charged.

CITY OF RUTLAND, VERMONT
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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2020	\$ 412,986	\$ 108,748	\$ 102,004	\$ 1,272,939	\$ 166,391	\$ 302,824
2021	412,986	117,630	49,228	678,775	136,458	302,824
2022	272,986	116,899	49,228	684,752	103,478	302,824
2023	226,666	110,906	0	690,872	111,092	302,824
2024	226,666	105,505	0	602,139	98,964	272,296
2025-2029	993,330	442,797	0	2,846,252	353,636	1,361,480
2030-2034	958,330	296,742	0	1,632,381	159,943	1,361,480
2035-2039	708,332	139,605	0	745,423	25,781	0
2040-2044	300,002	46,008	0	105,130	0	0
2045-2048	66,668	2,933	0	84,104	0	0
Total	4,578,952	1,487,773	200,460	9,342,767	1,155,743	4,206,552
Less: Imputed Interest	0	0	(9,748)	0	0	(1,024,005)
Total	\$ 4,578,952	\$ 1,487,773	\$ 190,712	\$ 9,342,767	\$ 1,155,743	\$ 3,182,547

J. Fund Balances

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

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

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

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

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The City has established a policy to maintain a minimum unrestricted fund balance of ten to fifteen percent (10-15%) of annual revenues.

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

CITY OF RUTLAND, VERMONT
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The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

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

Major Fund

General Fund:

Nonspendable Deposit on Storage Shed	\$ 21,793
Nonspendable Prepaid Expenses	151,336
Nonspendable Inventories	<u>35,868</u>
Total General Fund	208,997

Non-Major Funds

Special Revenue Funds:

Nonspendable Prepaid Expenses	<u>2,323</u>
Total Nonspendable Fund Balances	<u>\$211,320</u>

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

Major Fund

General Fund:

Restricted for Whistle Repair Expenditures by Donations (Source of Revenue is Donations)	\$ 438
Restricted for Lister Education Expenses by State Statute (Source of Revenue is Grant Revenue)	19,252
Restricted for Drug Forfeiture Expenditures by Agreement (Source of Revenue is Grant Revenue)	163,579
Restricted for Community Policing Expenses by Donations (Source of Revenue is Donations)	3,789
Restricted for Police Department Expenses by Donations (Source of Revenue is Donations)	750
Restricted for SBA Award Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	4,036
Restricted for Creek Path Expenditures by Donations (Source of Revenue is Donations)	33,370
Restricted for Market Analysis and Strategic Plan Expenses for the Special Benefits District of Downtown Rutland by Donations (Source of Revenue is Donations)	15,000
Restricted for West Street Gateway Expenditures by Donations (Source of Revenue is Donations)	40,000
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Bridge Repair Expenditures	60,000

CITY OF RUTLAND, VERMONT
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General Fund/(Cont'd):

Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Paving Expenditures	\$ <u>28,585</u>
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Total General Fund	<u>368,799</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Records Preservation Fund Expenses by State Statute (Source of Revenue is Restoration Fees)	123,407
Restricted for Giorgetti Fund Expenses by Trust Agreement (Source of Revenue is Donations)	986,880
Restricted for VCDP Loan Fund Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	98,706
Restricted for Recreation Activities Fund Expenses by Donations (Source of Revenue is Donations)	155,180
Restricted for Vietnam Memorial Fund Expenses by Donations (Source of Revenue is Donations)	<u>10,006</u>

Total Special Revenue Funds	<u>1,374,179</u>
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Capital Projects Funds:

Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Bridge Repair Expenditures	174,560
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Sidewalk Expenditures	<u>59,350</u>

Total Capital Projects Funds	<u>233,910</u>
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Total Non-Major Funds	<u>1,608,089</u>
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Total Restricted Fund Balances	<u>\$1,976,888</u>
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The fund balances in the following funds are committed as follows:

Non-Major Funds

Capital Projects Funds:

Committed for Equipment Replacement Expenditures by the Voters	\$43,419
Committed for Fire Equipment Expenditures by the Voters	<u>21,462</u>

Total Committed Fund Balances	<u>\$64,881</u>
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CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The fund balances in the following funds are assigned as follows:

Major Fund

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2020	\$ 133,515
Assigned for Zambias Impact Fees Fund Expenses	218,377
Assigned for Special Business Revolving Loan Fund Expenses	186,454
Assigned for Business Incentive Program Fund Expenses	178,937
Assigned for Police Expenses	12,527
Assigned for Home Depot Rotary Expenditures	40,777
Assigned for Reappraisal Expenses	<u>738,899</u>

Total General Fund	<u>1,509,486</u>
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Non-Major Funds

Capital Projects Funds:

Assigned for Equipment Replacement Expenditures	7,945
Assigned for Fire Department Expenditures	375,456
Assigned for White's Park Expenditures	10,552
Assigned for Field Maintenance Expenditures	<u>28,876</u>

Total Non-Major Funds	<u>422,829</u>
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Total Assigned Fund Balances	<u>\$1,932,315</u>
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K. Restricted and Designated Net Position

The restricted net position of the City as of June 30, 2019 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by Statute	\$ 35,868
Restricted for Whistle Repair Expenditures by Donations	438
Restricted for Lister Education Expenses by State Statute	19,252
Restricted for Drug Forfeiture Expenditures by Agreement	163,579
Restricted for Community Policing Expenses by Donations	3,789
Restricted for Police Department Expenses by Donations	750
Restricted for SBA Award Expenses by Grant Agreement	4,036
Restricted for Creek Path Expenditures by Donations	33,370
Restricted for Market Analysis and Strategic Plan Expenses for the Special Benefits District of Downtown Rutland by Donations	15,000
Restricted for West Street Gateway Expenditures by Donations	40,000
Restricted for Highway Expenditures by State Statute	322,495

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Governmental Activities/(Cont'd):

Restricted for Records Preservation Fund Expenses by State Statute	\$ 123,407
Restricted for Giorgetti Fund Expenses by Donations	986,880
Restricted for VCDP Loan Fund Expenses by Grant Agreements	98,706
Restricted for Recreation Activities Fund Expenses by Donations	157,503
Restricted for Vietnam Memorial Fund Expenses by Donations	<u>10,006</u>
Total Governmental Activities	<u>\$2,015,079</u>

The designated net position of the City as of June 30, 2019 consisted of the following:

Water Fund:

Designated for Water Capital Expenditures	\$1,577,949
Designated for Water Vehicle Expenditures	17,511
Designations in Excess of Unrestricted Net Position	<u>(1,555,941)</u>
Total Water Fund	<u>\$ 39,519</u>

Sewer Fund:

Designated for Sewer Capital Expenditures	\$346,471
Designated for Sewer Vehicle Expenditures	79,441
Designated for CSO Capital Expenditures	548,051
Designations in Excess of Unrestricted Net Position	<u>(973,963)</u>
Total Sewer Fund	<u>\$ 0</u>

The unrestricted deficit of \$1,424,119 in the Sewer Fund will be funded by future rate increases and operational surpluses.

The unrestricted deficit of \$514,374 in the Parking Meter Fund will be funded by future operational surpluses.

The unrestricted deficit of \$75,663 in the Transit Center Management Fund will be funded by future operational surpluses.

The net position held in trust for various purposes in the City's Private-Purpose Trust Funds at June 30, 2019 consisted of the following:

Private-Purpose Trust Funds:

Restricted for Emergency Fuel Expenses by Donations	\$ 18,296
Restricted for M. Garofano Memorial Fund by Donations	10,496
Restricted for Grace Stoolfire Trust Fund by Bequest	<u>434,284</u>
Total Private-Purpose Trust Funds	<u>\$463,076</u>

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V. OTHER INFORMATION

A. Pension Plans

Defined Benefit Plans

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2019, the retirement system consisted of 402 participating employers.

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

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

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

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

As of June 30, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2019, the City's proportionate share of this was 1.6911% resulting in a net pension liability of \$2,378,993. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The City's proportion of 1.6911% was an increase of 0.2519% from its proportion measured as of the prior year.

For the year ended June 30, 2019, the City recognized pension expense of \$859,202.

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As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 206,641	\$ 38,040
Difference between projected and actual investment earnings on pension assets	275,717	0
Changes in assumptions	263,443	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	357,998	0
City's required employer contributions made subsequent to the measurement date	363,336	0
	\$ 1,467,135	\$ 38,040

The deferred outflows of resources resulting from the City's required employer contributions made subsequent to the measurement date in the amount of \$363,336 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2020	\$ 629,477
2021	231,054
2022	109,295
2023	95,933
Total	\$1,065,759

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Groups B and C – Average annual compensation during highest three (3) consecutive years.

CITY OF RUTLAND, VERMONT
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Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit:

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

Amount – For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement – For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

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

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

Member Contributions – Group B – 5.0%. Group C – 10.125%.

Employer Contributions – Group B – 5.625%. Group C – 7.375%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary increases: 5% per year.

Mortality:

Death in Active Service: Groups B and C – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement.

Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement.

Disabled Post-Retirement: Groups B and C – RP-2006 Disabled Mortality Table with generational improvement.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B and C members (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups B who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.3% for all groups.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

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

Inflation: 2.50%

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Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$4,029,477	\$2,378,993	\$1,036,692

Additional Information

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

CITY OF RUTLAND, VERMONT
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The City of Rutland Employees Retirement Plan

Plan Description

The City of Rutland Employees Retirement Plan is a cost sharing multiple-employer defined benefit pension plan administered by Prudential Financial. The City of Rutland Employees Retirement Plan provides retirement, disability and death benefits to plan members and beneficiaries. Plan benefit provisions are established or amended by the City's Pension Board. The Pension Board is composed of the City of Rutland Treasurer as the Pension Board Chair and Commissioner, five members of the City's Board of Aldermen and five members of the Rutland Board of School Commissioners. The plan does not issue stand-alone financial statements. The plan covers employees of the City and the Board of Education. The City's required contribution is determined by the City's actuary and the City's actual contributions are limited by City Charter not to exceed .06 cents per dollar of the grand list, unless otherwise approved by the Voters.

Funding Policy

The Plan requires members of the Police Department to contribute 7.08% of base salary, members of the Fire Department to contribute 8.355% of base salary during the fiscal year 2019 and 9.975% in future years, members of the Public Works Department to contribute 5.9% of base salary and general city members to contribute 5.5% of base salary. The total actuarially determined contribution by the City to the system for 2019 was \$2,052,308 which was computed through an actuarial valuation performed as of January 1, 2019. The actual contribution made by the City to the system for 2019 was \$1,353,662.

As of January 1, 2019, the City had 82 active members, 30 inactive members and 131 retirees and beneficiaries.

The market value of plan assets maintained at Prudential Financial is \$91,634,642 as of June 30, 2019.

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

As of June 30, 2019, the measurement date selected by the City of Rutland, the pension was funded at 73.36% and had a plan fiduciary net position of \$91,780,993 and a total pension liability of \$125,110,877 resulting in a net pension liability of \$33,329,884. The net pension liability was measured as of June 30, 2019. The City's proportionate share of this was 59.13% resulting in a net pension liability of \$19,706,931. The proportion of the net pension liability assigned to the City is done in a manner that reflects the separate relationships that constitute the collective net pension liability as of the valuation date. As of June 30, 2019, the City's proportion of the net pension liability of 59.13% was a decrease of 3.12% from the prior year.

For the year ended June 30, 2019, the City recognized pension expense of \$1,603,138.

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As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 192,774	\$ 1,050,033
Changes in assumptions	101,432	1,421,421
Difference between projected and actual investment earnings on pension assets	1,009,875	940,473
Difference between proportional share and actual contributions	0	2,083,379
Amount recognized due to change in proportional share	1,309,047	0
	\$ 2,613,128	\$ 5,495,306

The deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2020	\$ (856,381)
2021	(1,485,813)
2022	(635,117)
2023	95,133
Total	\$(<u>2,882,178</u>)

Significant Actuarial Assumptions and Methods

The system uses the level dollar closed method to amortize the unfunded accrued liability over a thirty (30) year period. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are as follows:

Actuarial Cost Method
Asset Valuation Method

Projected Unit Credit

The calculation is as follows:

- (1) The actuarial value at the beginning of the year, plus contributions and expected investment earnings, less benefit payments; plus
- (2) 20% of the difference between the market value at the end of the year and the adjusted actuarial value above
- (3) Not to exceed 80-120% of the actual market value

CITY OF RUTLAND, VERMONT
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Investment Rate of Return	(4.74)%
Salary increases	3.5%
COLA Adjustment	None
Mortality Tables	<u>Fire, Police & DPW:</u> RP-2014 Blue Collar Generational Mortality adjusted to 2006, projected with MP-2018 <u>General:</u> RP-2014 Total Dataset Generational Mortality adjusted to 2006, projected with MP-2018

Summary of Plan Provisions

Normal Retirement Date:	First day of the month following: <u>Police and Fire:</u> Age 62, or if Rule 75 met, age 60 <u>DPW and General:</u> The later of age 62 or 5 years of participation in the Plan
Early Retirement Date:	First day of the month coinciding with or next following the date the participant attains age 55, and completes 10 years of service.
Adjusted Retirement Date:	First day of the month following the date that age plus credited service equals: <u>Police, Fire and DPW:</u> 75 <u>General:</u> 80, but no earlier than 55
Compensation:	Rate of annual basic compensation on January 1, excluding overtime except as provided in the collective bargaining agreement, bonuses, commissions and any other additional compensation.
Final Average Compensation:	Average of the 5 highest rates of Compensation on January 1, in the last 10 years prior to distribution.
Retirement Benefit:	<u>Police:</u> 2% of Final Average Compensation for each year of service before 1/1/07, plus 2.5% of Final Average Compensation for each year of service after 1/1/07. <u>Fire:</u> 2.34% of Final Average Compensation for each year of credited service. <u>DPW and General:</u> 2% of Final Average Compensation for each year of credited service.
Normal Benefit Payment Form:	Life Annuity, with refund
Adjusted Retirement Benefit:	Retirement Benefit unreduced for payment at Adjusted Retirement Date.

CITY OF RUTLAND, VERMONT
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Early Retirement Benefit:	Retirement Benefit is reduced for early commencement of payments, by reducing the Retirement Benefit at Normal Retirement Date by the following percentages: ½ of 1% for each month prior to the employee's Normal Retirement Date.
Postponed Retirement:	Benefit calculated and payable as of actual retirement date.
Disability Retirement:	<p><u>Non-Service Related:</u> No age requirement. Benefit is accrued benefit at date of disability.</p> <p><u>Police and Fire:</u> Must have 5 years of participation.</p> <p><u>DPW and General:</u> Must have 15 years of participation.</p> <p><u>Service Related:</u> No age or service requirement. Benefit is 100% of the projected normal retirement benefit assuming constant future earnings and service to age 62, payable after 6 months.</p>
Pre-Retirement Death Benefit:	<p><u>Non-Service Related:</u></p> <ol style="list-style-type: none">(1) Must be active employee and eligible to retire early.(2) Benefit is 75% of participant's accrued benefit, reduced for early commencement and paid as if 50% Joint and Survivor option had been elected, payable to spouse.(3) If not eligible for spouse benefit, death benefit is return of employee contributions with interest. <p><u>Service Related:</u></p> <ol style="list-style-type: none">(1) No age or service requirement.(2) 100% of deceased participant's projected normal retirement benefit based on service to age 62, payable to spouse or children up to age 19.
Termination of Employment:	<p>Vested participants will be entitled to the Retirement Benefit calculated as of the date of termination and payable at Normal Retirement Age. A reduced benefit will be available for payments in accordance with the Plan's Early or Adjusted Retirement provisions.</p> <p>Participant may elect a return of employee contributions in lieu of the retirement benefit.</p>
Vesting:	Fire year cliff vesting. Non-vested participants receive a return of employee contributions plus interest.

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Actuarial Equivalence: 6% interest and Mortality based on the 1971 Group Annuity Mortality Table for males, with a 1 year setback for the participant and a 5 year setback for the beneficiary.

Discount Rate

The discount rate used to measure the total pension liability was 7.4%, a decrease from 7.5% in the prior year, and represents the long-term expected rate of return on pension plan investments based on the current allocation of assets.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportion of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the liability would be if it were calculated using a discount rate that is one percent lower (6.4%) or one percent higher (8.4%):

<u>1% Decrease (6.4%)</u>	<u>Discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
\$27,690,945	\$19,706,931	\$12,952,732

B. Property Taxes

The City is responsible for assessing and collecting its own property taxes, Rutland Redevelopment Authority property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected four (4) times per year. During the tax year ended June 30, 2019, taxes became due and payable on August 31, 2018, November 15, 2018, February 15, 2019 and May 15, 2019. The City assesses a 5% late fee after each quarter due date. The City also assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2019 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Municipal	1.1375	1.1375
Streets	0.3276	0.3276
Library	0.0731	0.0731
Debt & Pension	0.1965	0.1965
County Tax	0.0084	0.0084
Social Agencies	0.0325	0.0325
Veteran Exemption	0.0036	0.0036
Rutland Redevelopment Authority	0.5127	0.5127
Education	<u>1.4639</u>	<u>1.6054</u>
Total	<u>3.7558</u>	<u>3.8973</u>

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C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risk 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. The City must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The City is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The City has only elected unemployment coverage with the Trust.

D. Contingent Liabilities

The City participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, 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.

There are currently pending claims against the City where the City's insurance carrier is providing defense. The City is vigorously defending the claims. The City and the insurer do not believe that the claims could exceed the insurance policy limits in the event of unfavorable rulings.

E. Other Postemployment Benefits

Plan Description

The City offers other postemployment benefits (OPEB) to qualified retirees for health, dental, vision and life insurance and the City has offered early retirement incentive to some employees to manage payroll expenses in the long-term.

As of June 30, 2018, the last measurement date, there were 272 covered participants, 118 members are retirees (or their spouses) receiving benefits and 154 members are active participants.

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Eligibility for OPEB

Employees of the City are eligible for continued health, dental, vision and life benefits in retirement as prescribed in each of the City’s union agreements. Employees must retire under the pension plan, but are eligible for OPEB upon either Early retirement or Normal Retirement. Employees terminating prior to meeting the requirements for an early or normal pension are not eligible for OPEB. Public Works employees hired after October 1, 2011 must have 20 years of service and attain age 62 to be eligible for health benefits.

Eligible retirees may continue participating in one of the plans offered to City active employees until attaining age 65. Employees not covered by one of the three union agreements are not eligible for health, dental and vision benefits. The City currently funds these benefits on a pay-as-you-go basis. Current union contracts provide for employees to share in the cost of benefits as follows:

Health, Dental and Vision

	Retiree Share of Premium			Share of Deductible
	% of Premium			
	Health*	Dental	Vision	
Fire	20%	50%	0%	25%
Police	15%	40%	0%	25%
Public Works	18%	40%	0%	25%

* Subject to cap of 12% of pension benefit for Fire, 8% for Police and 10% for Public Works

Spousal Coverage - Medical, Dental and Vision

Fire: Spouses eligible for same benefit as retiree through retiree attainment of age 65

Police: Current retiree spouses and spouses of future retirees who meet eligibility for retirement by 2020 are eligible for same benefit as retiree, through age 65

Public Works: Current retiree spouses and spouses of future retirees who meet eligibility for retirement by June 30, 2023 are eligible for same benefit as retiree, through age 65

Life Insurance

All retirees, regardless of eligibility for health benefits, continue to receive insurance coverage for the remainder of their life at the following levels:

<i>Fire:</i>	\$5,000
<i>Police:</i>	\$7,500
<i>Public Works:</i>	\$2,000
<i>Non-Union:</i>	\$2,000

CITY OF RUTLAND, VERMONT
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Special Benefits Under Voluntary Early Retirement Incentive Programs

Certain current retirees, having retired under either of the Voluntary Early Retirement Programs offered in 2000 or 2004, are eligible for OPEB through age 65 at cost sharing arrangements that vary from the above. Under both agreements, however, all benefits cease at age 65, except for life coverage.

Special Disability Benefits

Fire and Police employees disabled as the result of injury in the line of duty receive continued benefits for the remainder of their lifetime.

Reporting Date, Measurement Date and Valuation Date

Net OPEB liabilities, deferred OPEB outflows of resources, deferred OPEB inflows of resources, and OPEB expense are all presented as of the City's reporting date, June 30, 2019, and for the City's reporting period, the year ended June 30, 2019. These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 75 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2019, the City has chosen to use the end of the prior fiscal year, June 30, 2018, as the measurement date, and the year ended June 30, 2018 as the measurement period.

Net OPEB Liabilities

As of June 30, 2018, the measurement date selected by the City of Rutland, the City reported a net OPEB liability of \$8,749,182. The net OPEB liability can be viewed as the amount of assets that would have accumulated, as of the measurement date, had each participant's benefit been funded (annually) from employment age (e.g. "entry age"). The net OPEB liability increases with each employment year and decreases during retirement as benefits are paid out. The net OPEB liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. An actuarial valuation was performed as of July 1, 2018.

The net OPEB liability is measured as the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position.

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The changes in the components of the OPEB liability for the measurement period are as follows:

	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balances - June 30, 2017	\$ 9,309,711	\$ 0	\$ 9,309,711
Changes for the Year:			
Service Cost	334,846	0	334,846
Interest on the Total OPEB Liability	351,200	0	351,200
Difference between expected and actual experience of the Total OPEB Liability	(854,235)	0	(854,235)
Changes of assumptions	77,194	0	77,194
Contributions - Employer	0	469,534	(469,534)
Benefit Payments	(469,534)	(469,534)	0
Net Changes	(560,529)	0	(560,529)
Balances - June 30, 2018	\$ 8,749,182	\$ 0	\$ 8,749,182
Plan fiduciary net position as a percentage of the total OPEB liability			0.00%

Proportionate Share of the Net OPEB Liability		
	Amount	Proportionate Share
Governmental Activities	\$ 7,286,844	83.3%
Business-type Activities	1,462,338	16.7%
Total Net OPEB Liability	\$ 8,749,182	100.0%

Deferred OPEB Outflows of Resources and Deferred OPEB Inflows of Resources

Most changes in the net OPEB liability are included in OPEB expense during the year of change. Changes resulting from current-period service cost, interest on the total OPEB liability, and changes in benefit terms are required to be included in OPEB expense immediately. Similarly, projected earnings on the OPEB plan's investments are also required to be included in the determination of OPEB expense immediately.

The effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods, depending on the nature of the change.

Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from 0 to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

CITY OF RUTLAND, VERMONT
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JUNE 30, 2019

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning with the current period. Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that OPEBs arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related OPEB measurements are viewed in the context of ongoing, career-long employment relationships.

Employer benefit payments subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources, and will be recognized as a reduction of the net OPEB liability at June 30, 2020.

As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 499,153
Changes in assumptions	1,889,845	0
City's benefit payments made subsequent to the measurement date	402,535	0
Total	\$ 2,292,380	\$ 499,153

The deferred outflows of resources resulting from the City's benefit payments made subsequent to the measurement date in the amount of \$402,535 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year Ending <u>June 30</u>	
2020	\$ 173,404
2021	173,404
2022	173,404
2023	173,404
2024	173,404
Thereafter	523,672
Total	\$1,390,692

CITY OF RUTLAND, VERMONT
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JUNE 30, 2019

OPEB Expense

As discussed previously, most changes in the net OPEB liability are included in OPEB expense in the year of change, including changes resulting from current-period service cost, interest on the total OPEB liability and changes in benefit terms. Other changes in net OPEB liability are recorded as deferred outflows of resources and deferred inflows of resources, and included in OPEB expense on a systematic and rational manner over current and future periods. OPEB expense for the year ended June 30, 2019, is as follows:

Service Cost	\$	334,846
Interest on the Total OPEB Liability		329,508
Recognition of Deferred Outflows of Resources from Assumption Changes		212,440
Recognition of Deferred Inflows of Resources from Experience Gain		(39,036)
Total OPEB Expense	\$	<u>837,758</u>

Actuarial Assumptions and Funding Method

Actuarial Valuation Date:	7/1/2018
Measurement Date for GASB 75 Reporting	6/30/2018
Actuarial Funding Method for developing Actuarial Determined Contribution and measuring GASB 75 OPEB Liability	Entry Age Normal, level % of pay
Amortization Method	Closed, straight-line for average remaining service period
Discount Rate (Selected using Index, as of Measurement Date)	3.87% Bond Buyer 20-Bond GO Index
Payroll Growth:	4%
Medical and Dental Trend Rates	Medical Trend developed using SOA Getzen Model (v.2018) using the following economic assumptions. Ultimate rate reached in 2075

CITY OF RUTLAND, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

Year	Medical	Dental	Vision
2019	5.4%	1.0%	1.0%
2020	5.4%	1.0%	1.0%
2021	5.3%	1.0%	1.0%
2022	5.2%	1.0%	1.0%
2025	5.2%	1.0%	1.0%
2040	5.2%	1.0%	1.0%
2050	4.9%	1.0%	1.0%
2075	3.9%	1.0%	1.0%

Mortality Table

Fire and Police: Pub.H 2010 Safety Generational Mortality projected with Scale MP-2019

DPW and General: Pub.H 2010 General Generational Mortality projected with Scale MP-2019

Withdrawal Rates:

Fire and DPW: Table T-1 from the Actuary's Pension Handbook. Sample rates are as follows:

Male Age	Retire Age	Probability of Continued Employment to Retirement
25	50	19.4%
35	50	41.8%
45	55	67.2%
55	62	91.5%

Police and General: Table T-6 from the Actuary's Pension Handbook. Sample rates are as follows:

Male Age	Retire Age	Probability of Continued Employment to Retirement
25	50	59.2%
35	50	87.3%
45	55	97.3%
55	62	95.1%

Assumed Retirement Age

Fire: Earlier of age 62 or age plus service equal to 85

Police: Earlier of age 62 or age plus service equal to 80

DPW (hired prior to 10/1/11): Earlier of age 62 or 5 years of service (if later) or age plus service equal to 85

DPW (hired after 10/1/11): Earlier of age 62 or 20 years of service

General: Earlier of age 62 or 5 years of service (if later) or age plus service equal to 80

CITY OF RUTLAND, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's net OPEB liability calculated using the discount rate of 3.87 percent, as well as what the liability would be if it were calculated using a discount rate that is one percent lower (2.87%) or one percent higher (4.87%):

<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
\$9,375,985	\$8,749,182	\$8,184,692

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Valuation Trend</u>	<u>1% Increase</u>
\$8,122,379	\$8,749,182	\$9,425,511

Additional Information

The City does not issue a stand-alone financial report. Additional information regarding the City's OPEB Plan is available upon request.

F. Tax Stabilization Agreements

As of June 30, 2019, the City provides tax stabilization through three programs.

1. Tax Stabilization Policy for Vacant/Blighted Residential Property

The City wishes to encourage the rehabilitation of vacant and blighted residential properties, to promote owner occupancy, and to incentivize private investment in these problem properties.

Property tax stabilization will occur in the form of a Residential Tax Stabilization Agreement (RTSA) between the City and a qualifying housing improvement program.

Real property tax stabilization will be available to qualifying housing improvement programs making tangible new financial investment in a previously vacant and/or blighted property in an effort to rehabilitate and improve that property with the ultimate goal of resale to an owner occupant who will then use the property as a primary dwelling unit.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Real property tax stabilization will also be available to property owners who are making tangible new financial investment in a previously blighted property in an effort to rehabilitate and improve that property, who will be using the property as a primary dwelling unit themselves, or who will be rehabilitating the property for future resale to an owner occupant who will then use the property as a primary dwelling unit.

Determination of eligibility will be based on the recommendation of the Rutland Redevelopment Authority (RRA) and subject to the approval of the Board of Aldermen (BOA).

RTSA shall be for a period not to exceed five (5) years.

RTSA shall establish the property value to which the municipal tax rate will be applied. The property value will be determined by the City Assessors office at the time of application.

RTSA shall commence on the April 1st that follows the official signing of the agreement.

RTSA will be limited to municipal taxes on real property.

The RTSA shall be in writing and shall include all terms necessary to assure the City of the benefits that are the basis for residential tax stabilization of the project; specifically a redevelopment plan for the property, including renovation budget, and assurance that the property will serve in the future as a principal dwelling unit and not solely as an income producing property.

Should it be determined that the property is rented or otherwise used for income during the effective period the RTSA may be terminated and the property will come back onto the tax rolls at its then assessed value as of the following April 1st.

2. Tax Stabilization Policy for Vacant/Blighted Industrial & Commercial Property

The City wishes to encourage the rehabilitation of vacant and blighted industrial and commercial properties and to incentivize speculative investment from existing and future property owners in order to rehabilitate and improve these properties and ultimately return them to productive use.

Property tax stabilization will occur in the form of a Tax Stabilization Agreement (TSA) between the City and a qualifying property owner.

Real property tax stabilization will be available to property owners that are making tangible new financial investment in an effort to rehabilitate and improve their property and to return it to productive use.

Determination of eligibility, level of stabilization, and timeframe will be based on the recommendation of the RRA and subject to the approval of the BOA.

Eligible properties must meet the definition of “blighted structure” as defined for the purposes of the Vermont Neighborhood Stabilization Program.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Contract term options are intentionally flexible in order to best serve the needs of the property owner and shall be awarded at the recommendation of the RRA and at the sole discretion of the BOA.

TSA shall be for a period of not to exceed five (5) years.

TSA shall commence on the April 1st that follows the official signing of the agreement.

TSA will be limited to municipal taxes on real property.

The City/BOA may also enter into tax stabilization agreements which provide for terms different from those set forth if it is determined to be in the interest of the City.

The TSA shall be in writing and shall include all terms necessary to assure the City of the benefits that are the basis for tax stabilization of the project; specifically a comprehensive redevelopment plan for the property.

Should the terms of the agreement not be executed in full the City may choose to terminate the TSA and choose to recapture the foregone tax for the period during which there was a breach in terms.

If a project is subject to recapture of taxes the amount due shall be the total amount of the tax which would have been due if no tax stabilization agreement had been in force plus interest from the date at which the tax was due. The property shall be subject to a tax lien for all unpaid amounts due under this provision.

3. Industrial & Commercial Property Tax Stabilization Policy

The City wishes to encourage industrial and commercial growth which will inspire a strong economy and create employment opportunities for all citizens.

It is the objective of the City incentivize new investment by stabilizing industrial and commercial property taxes within the City.

Property tax stabilization will occur in the form of a Tax Stabilization Agreement (TSA) between the City and a qualifying business.

Real and personal property tax stabilization will be available to businesses that are making tangible new financial investment in their facility and/or machinery and equipment, thus creating new jobs within the City.

Determination of eligibility, level of stabilization, and timeframe will be based on the recommendation of the RRA and subject to the approval of the BOA.

Contract term options are intentionally flexible in order to best serve the needs of the business and shall be awarded at the recommendation of the RRA and at the sole discretion of the BOA.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

TSA shall normally be for a period of five (5) years, and no case longer than ten (10) years.

TSA shall commence on the April 1st that follows the official signing of the agreement.

If during the effective period a qualifying business will be making additional investment and creating new jobs they may be encouraged to re-apply for a new or extended TSA to accommodate this additional investment.

TSA will be limited to municipal taxes on real and personal property.

The City/BOA may also enter into tax stabilization agreements which provide for terms different from those set forth if it is determined to be in the interest of the City.

The TSA shall be writing and shall include all terms necessary to assure the City of the benefits that are the basis for tax stabilization of the project. The business will submit an annual Business Personal Property Return in accordance with the City Assessors office policy. At the request of the RRA the business shall provide an annual update substantiating any investment and/or job creation projections.

Should the terms of the agreement not be executed in full the City may choose to terminate the TSA and choose to recapture the foregone tax for the period during which there was a breach in terms.

If a project is subject to recapture of taxes the amount due shall be the total amount of the tax which would have been due if no tax stabilization agreement had been in force plus interest from the date at which the tax was due. The property shall be subject to a tax lien for all unpaid amounts due under this provision.

The number of active agreements by program are as follows:

	<u>Number</u>
Vacant/Blighted Residential Property	0
Vacant/Blighted Industrial & Commercial Property	1
Industrial and Commercial Property	6

G. Subsequent Events

During the year, the City approved a loan with the State of Vermont Special Environmental Revolving Fund in the amount of \$42,600 with \$21,300 eligible for forgiveness for the digester rehabilitation project. The City drew down on this loan during fiscal year 2020.

During the year, the City approved a loan with the State of Vermont Special Environmental Revolving Fund in the amount of \$95,290 with \$47,645 eligible for forgiveness for the force main replacement project. The City drew down on this loan during fiscal year 2020.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Subsequent to year end, the City entered into a lease agreement with Pinnacle Public Finance, Inc. for the purchase of a fire truck in the amount of \$1,453,594 with an interest rate of 3.47% and a maturity date of June 7, 2034.

In November 2019, the third party vendor that was contracted to upgrade the water and sewer metering system and provide ongoing customer billing services, notified the City that they were ceasing operations. The City has contracted with various vendors to perform services and collections and billing services were brought back in house. The financial impact of the changes has not been determined at this time.

In March, 2020, voters approved a general obligation note or bond not to exceed \$4,000,000 for improvement of City Streets and \$1,000,000 for improvements to City sidewalks.

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 17,934,459	\$ 17,703,530	\$ (230,929)
Rooms, Meals and Entertainment Taxes	500,000	536,607	36,607
Penalties and Interest	188,300	131,761	(56,539)
Investment Earnings	15,000	118,159	103,159
Payments in Lieu of Taxes	612,761	729,640	116,879
Clerk Fees	168,600	176,729	8,129
Treasurer Fees	137,900	127,755	(10,145)
Building and Zoning Fees	27,000	26,924	(76)
Government Building Lease Revenue	56,607	73,635	17,028
Sale of City Property	0	96,410	96,410
City Property Insurance Proceeds	0	66,631	66,631
Police Department Fees and Fines	126,750	131,541	4,791
Fire Department Fees	45,000	20,675	(24,325)
Fire Department Insurance Proceeds	0	8,661	8,661
Public Works Fees	0	1,110	1,110
State Highway Aid	209,178	216,429	7,251
Public Works Sale of Materials	7,000	8,067	1,067
Public Works Miscellaneous Income	0	1,057	1,057
Public Works Donations	0	5,000	5,000
Giorgetti Arena Charges	115,750	94,583	(21,167)
Godnick Center Rental Income	8,000	8,768	768
White Park Charges	33,000	58,168	25,168
Recreation Facilities Use Fees	0	1,980	1,980
Recreation Programs Fees	275,000	287,618	12,618
Transfers In - Water/Sewer/Parking Meter Administration	1,547,166	1,547,166	0
Reappraisal Income	0	58,093	58,093
FEMA Reimbursement	0	6,328	6,328
Community Development Grant Income	0	408,189	408,189
Community Development Contributions	0	63,923	63,923
Police Department Grant Income	0	89,125	89,125
Fire Department Grant Income	0	15,327	15,327
Public Works Grant Income	0	79,000	79,000
Other Income	0	34,188	34,188
Total Revenues	22,007,471	22,932,777	925,306

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Community Development	\$ 180,000	\$ 180,000	\$ 0
Legislative	29,055	41,622	(12,567)
Clerk	422,033	413,485	8,548
Executive	107,768	112,534	(4,766)
Human Resources	118,523	92,611	25,912
Elections	32,119	20,753	11,366
Treasurer	633,652	602,885	30,767
Attorney	299,290	289,149	10,141
Assessor	126,959	118,659	8,300
Building and Zoning	446,814	425,086	21,728
Government Buildings	343,831	377,558	(33,727)
Police Department	6,321,263	6,083,706	237,557
Fire Department	3,690,259	3,655,851	34,408
Public Works Administration	1,178,454	1,064,960	113,494
Public Works Vehicle Maintenance	583,534	562,886	20,648
Recreation Administration	538,362	516,833	21,529
Giorgetti Arena	123,439	123,918	(479)
Godnick Center	15,696	15,345	351
White Park	93,492	159,994	(66,502)
Recreation Maintenance	779,924	778,299	1,625
Recreation Programs	244,417	296,614	(52,197)
Miscellaneous	256,925	169,727	87,198
Streets	2,596,156	2,643,455	(47,299)
Traffic and Street Lights	346,565	436,110	(89,545)
Stormwater	74,438	15,292	59,146
Rutland Free Library	738,573	738,573	0
County Tax	85,000	80,604	4,396
Transfers Out	295,000	573,481	(278,481)
Debt Service	535,195	915,933	(380,738)
Pension Contribution	692,223	692,223	0
Social Agencies	328,595	328,595	0
Community Development Grant Expenditures	0	432,378	(432,378)
Police Department Grant Expenditures	0	67,420	(67,420)
Fire Department Grant Expenditures	0	13,381	(13,381)
Public Works Grant Expenditures	0	58,386	(58,386)
Total Expenditures	22,257,554	23,098,306	(840,752)
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ (250,083)</u>	<u>(165,529)</u>	<u>\$ 84,554</u>

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Zamias Impact Fee Fund Income		\$ 1,255	
Zamias Impact Fee Fund Expenses		(16,000)	
Zamias Impact Fee Fund Transfer In		85,025	
Special Business Revolving Loan Fund Income		29,032	
Business Incentive Program Fund Income		74	
Business Incentive Program Fund Expenses		(30,500)	
Business Incentive Program Fund Transfer In		75,978	
Net Change in Fund Balance		(20,665)	
Fund Balance - July 1, 2018		3,938,548	
Fund Balance - June 30, 2019		\$ 3,917,883	

The reconciling items are due to combining four (4) funds, the Property Escrow Fund, the Zamias Impact Fee Fund, the Special Business Revolving Loan Fund and the Business Incentive Program Fund with the General Fund in order to comply with GASB Statement No. 54.

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2019

	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
City's Proportion of the Net Pension Liability	1.6911%	1.4392%	1.2080%	0.2805%	0.1218%
City's Proportionate Share of the Net Pension Liability	\$ 2,378,993	\$ 1,743,614	\$ 1,554,640	\$ 216,270	\$ 11,117
City's Covered Employee Payroll	\$ 5,471,676	\$ 4,525,183	\$ 3,536,539	\$ 2,711,463	\$ 649,758
City's Proportionate Share of the Net Pension Liability as a Percentage of City's Covered Employee Payroll	43.4783%	38.5313%	43.9594%	7.9761%	1.7109%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 363,336	\$ 296,142	\$ 235,027	\$ 183,596	\$ 38,650
Contributions in Relation to the Actuarially Determined Contributions	<u>363,336</u>	<u>296,142</u>	<u>235,027</u>	<u>183,596</u>	<u>38,650</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Employee Payroll	\$ 5,471,676	\$ 4,525,183	\$ 3,536,539	\$ 2,711,463	\$ 649,758
Contributions as a Percentage of City's Covered Employee Payroll	6.640%	6.544%	6.646%	6.771%	5.948%

Notes to Schedule

Valuation Date: June 30, 2018

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

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PENSION TRUST FUND
 JUNE 30, 2019

	2019	2018	2017	2016	2015	2014
Total Plan Net Pension Liability	\$ 33,329,884	\$ 33,133,722	\$ 38,061,800	\$ 41,526,991	\$ 36,974,380	\$ 33,248,411
Proportion of the Net Pension Liability	59.13%	62.25%	57.71%	54.55%	53.67%	49.77%
Proportionate Share of the Net Pension Liability	\$ 19,706,931	\$ 20,624,903	\$ 21,965,640	\$ 22,651,034	\$ 19,845,756	\$ 16,548,449
City's Covered Employee Payroll	\$ 5,180,168	\$ 5,475,655	\$ 5,934,271	\$ 6,530,757	\$ 7,901,130	\$ 7,544,763
City's Proportionate Share of the Net Pension Liability as a Percentage of City's Covered Employee Payroll	380.43%	376.67%	370.15%	346.84%	251.18%	219.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.36%	72.56%	68.38%	64.44%	67.24%	69.08%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions:

The mortality tables were updated from the 2018 430(h) Annuitant and Non-Annuitant tables to the RP-2014 Blue Collar Generational Mortality adjusted to 2006, projected with MP-2018 for Fire, Police and DPW employees and RP-2014 Total Dataset Generational Mortality adjusted to 2006, projected with MP-2018 for General employees.

The discount rate used to measure the net pension liability was lowered from 7.5% to 7.4%, due to a decrease in the expected future rate of return on assets for funding purposes.

The rate of future compensation increases was decreased from 4.0% to 3.5% for Fire, Police, DPW and General employees.

Corresponding information for prior years is not available.

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 PENSION TRUST FUND
 JUNE 30, 2019

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service Cost	\$ 2,322,311	\$ 2,138,986	\$ 2,157,351	\$ 2,380,555	\$ 2,310,233	\$ 2,287,734
Interest on the Total Pension Liability	9,006,524	8,964,188	8,695,086	8,448,525	8,062,479	7,736,128
Changes of Benefit Terms	0	0	0	(32,869)	(564,080)	0
Difference Between Expected and Actual Experience	131,946	(801,865)	(1,431,292)	(1,360,980)	649,784	(752,902)
Changes in Assumptions	(475,725)	(3,730,278)	187,697	168,757	0	0
Benefit Payments	<u>(6,632,374)</u>	<u>(6,189,879)</u>	<u>(6,017,866)</u>	<u>(5,694,223)</u>	<u>(5,116,791)</u>	<u>(4,794,328)</u>
Net Change in Total Pension Liability	4,352,682	381,152	3,590,976	3,909,765	5,341,625	4,476,632
Total Pension Liability - Beginning of Period	<u>120,758,195</u>	<u>120,377,043</u>	<u>116,786,067</u>	<u>112,876,302</u>	<u>107,534,678</u>	<u>103,058,045</u>
Total Pension Liability - End of Period	<u>125,110,877</u>	<u>120,758,195</u>	<u>120,377,043</u>	<u>116,786,067</u>	<u>112,876,303</u>	<u>107,534,677</u>
Plan Fiduciary Net Position:						
Member Contributions	1,425,014	1,392,422	1,345,914	1,337,916	1,348,660	1,227,465
Employer Contributions	3,643,739	3,630,691	3,042,364	2,935,514	2,746,100	2,649,918
Net Investment Income	5,772,311	6,537,405	8,685,755	777,946	2,637,688	9,817,109
Benefit Payments	(6,632,374)	(6,189,879)	(6,017,866)	(5,694,223)	(5,116,791)	(4,794,328)
Administrative Expenses	<u>(52,170)</u>	<u>(61,409)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fiduciary Net Position	4,156,520	5,309,230	7,056,167	(642,847)	1,615,657	8,900,164
Plan Fiduciary Net Position - Beginning of Period	<u>87,624,473</u>	<u>82,315,243</u>	<u>75,259,076</u>	<u>75,901,923</u>	<u>74,286,266</u>	<u>65,386,102</u>
Plan Fiduciary Net Position - End of Period	<u>91,780,993</u>	<u>87,624,473</u>	<u>82,315,243</u>	<u>75,259,076</u>	<u>75,901,923</u>	<u>74,286,266</u>
Net Pension Liability	<u>\$ 33,329,884</u>	<u>\$ 33,133,722</u>	<u>\$ 38,061,800</u>	<u>\$ 41,526,991</u>	<u>\$ 36,974,380</u>	<u>\$ 33,248,411</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.36%	72.56%	68.38%	64.44%	67.24%	69.08%
Covered Valuation Payroll	\$ 29,716,323	\$ 28,820,569	\$ 27,934,380	\$ 28,114,946	\$ 29,597,118	\$ 28,733,550
Net Pension Liability as a Percentage of Covered Employee Payroll	112.16%	114.97%	136.25%	147.70%	124.93%	156.92%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions:

The mortality tables were updated from the 2018 430(h) Annuitant and Non-Annuitant tables to the RP-2014 Blue Collar Generational Mortality adjusted to 2006, projected with MP-2018 for Fire, Police and DPW employees and RP-2014 Total Dataset Generational Mortality adjusted to 2006, projected with MP-2018 for General employees.

The discount rate used to measure the net pension liability was lowered from 7.5% to 7.4%, due to a decrease in the expected future rate of return on assets for funding purposes.

The rate of future compensation increases was decreased from 4.0% to 3.5% for Fire, Police, DPW and General employees.

Corresponding information for prior years is not available.

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
 PENSION TRUST FUND
 JUNE 30, 2019

<u>FY Ending</u>	<u>Actuarially Determination Contributions</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as % of Covered Valuation Payroll</u>	<u>Investment Returns</u>
2010	\$ 5,125,675	\$ 2,249,457	\$ 2,876,218	\$ 26,914,829	8.36%	N/A
2011	3,842,585	2,498,651	1,343,934	27,594,551	9.05%	N/A
2012	3,775,872	2,559,636	1,216,236	27,838,575	9.19%	N/A
2013	3,799,091	2,622,349	1,176,742	28,416,600	9.23%	N/A
2014	3,878,478	2,649,918	1,228,560	28,733,550	9.22%	N/A
2015	3,921,797	2,746,100	1,175,697	29,597,118	9.28%	N/A
2016	3,818,682	2,935,514	883,168	28,114,946	10.44%	(.23)%
2017	3,877,752	3,042,364	835,388	27,934,380	10.89%	7.11%
2018	4,322,021	3,630,691	691,330	28,820,569	12.60%	15.38%
2019	4,192,151	3,643,739	548,412	29,716,323	12.26%	(4.74)%

NA - Not Available

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CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL
 OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS
 JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service Cost	\$ 334,846	\$ 319,518
Interest on the Total OPEB Liability	351,200	239,082
Difference between expected and actual experience of the Total OPEB Liability	(854,235)	348,197
Changes of assumptions	77,194	2,231,098
Benefit payments	(469,534)	(506,463)
Net Change in Total OPEB Liability	(560,529)	2,631,432
Total OPEB Liability - Beginning of Period	9,309,711	6,678,279
Total OPEB Liability - End of Period	\$ 8,749,182	\$ 9,309,711
Annual Covered Payroll	11,152,483	10,067,605
Total OPEB Liability as a Percentage of Annual Covered Payroll	78.5%	92.5%
Net OPEB Expense	837,758	796,758
Employer Contribution as a Percentage of Net OPEB Expense	56.0%	52.0%
Discount rate used:	3.87%	3.58%

Notes to Schedule:

Changes of benefit terms: None

Changes of assumptions:

The discount rate was increased from 3.58% to 3.87%.

The mortality table was changed from the RP-2014 Adjusted to 2006 Total Dataset Mortality with Scale MP-2017 to the PUB.H 2010 Safety Generational Mortality projected with Scale MP-2019 for Fire and Police and Pub.H 2010 General Generational Mortality projected with Scale MP-2019 for DPW and General.

Per capita medical costs were changed as follows:

Age	HDHP		VHP	Dental	Vision
	Retiree	Spouse			
50	\$ 9,337	\$ 7,307	\$ 7,524	\$ 444	\$ 91
55	11,463	8,971	9,238	444	91
60	14,060	11,004	11,331	444	91
64	16,900	13,226	13,619	0	91

Trend rates were changed as follows:

Year	Medical	Dental	Vision
2019	5.4%	1.0%	1.0%
2020	5.4%	1.0%	1.0%
2021	5.3%	1.0%	1.0%
2022	5.2%	1.0%	1.0%
2025	5.2%	1.0%	1.0%
2040	5.2%	1.0%	1.0%
2050	4.9%	1.0%	1.0%
2075	3.9%	1.0%	1.0%

Fiscal year 2018 is the first year of implementation, therefore, only two years are shown

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Charges for Services	\$ 0	\$ 113,960	\$ 113,960
Permits, Licenses and Fees	57,947	18,039	75,986
Investment Income	18,316	6,346	24,662
Donations	<u>67,503</u>	<u>0</u>	<u>67,503</u>
 Total Revenues	 <u>143,766</u>	 <u>138,345</u>	 <u>282,111</u>
Expenditures:			
General Government	10,517	0	10,517
Public Safety	0	41,226	41,226
Public Works	0	695	695
Culture and Recreation	83,873	6,453	90,326
Capital Outlay:			
Public Safety	0	112,312	112,312
Public Works	0	15,541	15,541
Culture and Recreation	44,469	97,382	141,851
Debt Service:			
Principal	0	77,434	77,434
Interest	<u>0</u>	<u>4,924</u>	<u>4,924</u>
 Total Expenditures	 <u>138,859</u>	 <u>355,967</u>	 <u>494,826</u>
Excess/(Deficiency) of Revenues Over Expenditures	 <u>4,907</u>	 <u>(217,622)</u>	 <u>(212,715)</u>
Other Financing Sources:			
Insurance Proceeds	0	19,263	19,263
Proceeds from Sale of Vehicles	0	8,356	8,356
Transfers In	<u>0</u>	<u>412,478</u>	<u>412,478</u>
 Total Other Financing Sources	 <u>0</u>	 <u>440,097</u>	 <u>440,097</u>
Net Change in Fund Balances	4,907	222,475	227,382
Fund Balances - July 1, 2018	<u>1,371,595</u>	<u>499,145</u>	<u>1,870,740</u>
Fund Balances - June 30, 2019	<u>\$ 1,376,502</u>	<u>\$ 721,620</u>	<u>\$ 2,098,122</u>

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CITY OF RUTLAND, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	Records Preservation Fund	Giorgetti Fund	VCDP Loan Fund	Recreation Activities Fund	Vietnam Memorial Fund	Total
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 121,401	\$ 395,501	\$ 98,706	\$ 164,332	\$ 10,006	\$ 789,946
Investments	0	591,379	0	0	0	591,379
Receivables	6	0	0	0	0	6
Due from Other Funds	2,108	0	0	0	0	2,108
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,323</u>	<u>0</u>	<u>2,323</u>
Total Assets	<u>\$ 123,515</u>	<u>\$ 986,880</u>	<u>\$ 98,706</u>	<u>\$ 166,655</u>	<u>\$ 10,006</u>	<u>\$ 1,385,762</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable	\$ 108	\$ 0	\$ 0	\$ 6,463	\$ 0	\$ 6,571
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,689</u>	<u>0</u>	<u>2,689</u>
Total Liabilities	<u>108</u>	<u>0</u>	<u>0</u>	<u>9,152</u>	<u>0</u>	<u>9,260</u>
Fund Balances:						
Nonspendable	0	0	0	2,323	0	2,323
Restricted	<u>123,407</u>	<u>986,880</u>	<u>98,706</u>	<u>155,180</u>	<u>10,006</u>	<u>1,374,179</u>
Total Fund Balances	<u>123,407</u>	<u>986,880</u>	<u>98,706</u>	<u>157,503</u>	<u>10,006</u>	<u>1,376,502</u>
Total Liabilities and Fund Balances	<u>\$ 123,515</u>	<u>\$ 986,880</u>	<u>\$ 98,706</u>	<u>\$ 166,655</u>	<u>\$ 10,006</u>	<u>\$ 1,385,762</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Records Preservation Fund	Giorgetti Fund	VCDP Loan Fund	Recreation Activities Fund	Vietnam Memorial Fund	Total
Revenues:						
Permits, Licenses and Fees	\$ 20,943	\$ 0	\$ 0	\$ 37,004	\$ 0	\$ 57,947
Investment Income	1,634	16,554	49	74	5	18,316
Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,503</u>	<u>0</u>	<u>67,503</u>
Total Revenues	<u>22,577</u>	<u>16,554</u>	<u>49</u>	<u>104,581</u>	<u>5</u>	<u>143,766</u>
Expenditures:						
General Government	10,517	0	0	0	0	10,517
Culture and Recreation	0	1,187	0	82,686	0	83,873
Capital Outlay:						
Culture and Recreation	<u>0</u>	<u>44,469</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,469</u>
Total Expenditures	<u>10,517</u>	<u>45,656</u>	<u>0</u>	<u>82,686</u>	<u>0</u>	<u>138,859</u>
Net Change in Fund Balances	12,060	(29,102)	49	21,895	5	4,907
Fund Balances - July 1, 2018	<u>111,347</u>	<u>1,015,982</u>	<u>98,657</u>	<u>135,608</u>	<u>10,001</u>	<u>1,371,595</u>
Fund Balances - June 30, 2019	<u>\$ 123,407</u>	<u>\$ 986,880</u>	<u>\$ 98,706</u>	<u>\$ 157,503</u>	<u>\$ 10,006</u>	<u>\$ 1,376,502</u>

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CITY OF RUTLAND, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2019

	Equipment Replacement Fund	Fire Equipment Fund	Bridge Fund	White's Park Fund	Field Maintenance Fund	Sidewalk Fund	Total
<u>ASSETS</u>							
Cash	\$ 7,650	\$ 333,961	\$ 162,479	\$ 0	\$ 28,756	\$ 59,350	\$ 592,196
Due from Other Funds	<u>43,714</u>	<u>62,957</u>	<u>27,622</u>	<u>10,552</u>	<u>120</u>	<u>0</u>	<u>144,965</u>
Total Assets	<u>\$ 51,364</u>	<u>\$ 396,918</u>	<u>\$ 190,101</u>	<u>\$ 10,552</u>	<u>\$ 28,876</u>	<u>\$ 59,350</u>	<u>\$ 737,161</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>15,541</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>15,541</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>15,541</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,541</u>
Fund Balances:							
Restricted	0	0	174,560	0	0	59,350	233,910
Committed	43,419	21,462	0	0	0	0	64,881
Assigned	<u>7,945</u>	<u>375,456</u>	<u>0</u>	<u>10,552</u>	<u>28,876</u>	<u>0</u>	<u>422,829</u>
Total Fund Balances	<u>51,364</u>	<u>396,918</u>	<u>174,560</u>	<u>10,552</u>	<u>28,876</u>	<u>59,350</u>	<u>721,620</u>
Total Liabilities and Fund Balances	<u>\$ 51,364</u>	<u>\$ 396,918</u>	<u>\$ 190,101</u>	<u>\$ 10,552</u>	<u>\$ 28,876</u>	<u>\$ 59,350</u>	<u>\$ 737,161</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Equipment Replacement Fund	Fire Equipment Fund	Bridge Fund	White's Park Fund	Field Maintenance Fund	Sidewalk Fund	Total
Revenues:							
Charges for Services	\$ 0	\$ 113,960	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,960
Permits, Licenses and Fees	0	11,700	0	0	6,339	0	18,039
Investment Income	<u>4</u>	<u>3,644</u>	<u>875</u>	<u>1,767</u>	<u>12</u>	<u>44</u>	<u>6,346</u>
Total Revenues	<u>4</u>	<u>129,304</u>	<u>875</u>	<u>1,767</u>	<u>6,351</u>	<u>44</u>	<u>138,345</u>
Expenditures:							
Public Safety	0	41,226	0	0	0	0	41,226
Public Works	695	0	0	0	0	0	695
Culture and Recreation	0	0	0	6,453	0	0	6,453
Capital Outlay:							
Public Safety	0	112,312	0	0	0	0	112,312
Public Works	0	0	15,541	0	0	0	15,541
Culture and Recreation	29,782	0	0	67,600	0	0	97,382
Debt Service:							
Principal	77,434	0	0	0	0	0	77,434
Interest	<u>4,924</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,924</u>
Total Expenditures	<u>112,835</u>	<u>153,538</u>	<u>15,541</u>	<u>74,053</u>	<u>0</u>	<u>0</u>	<u>355,967</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(112,831)</u>	<u>(24,234)</u>	<u>(14,666)</u>	<u>(72,286)</u>	<u>6,351</u>	<u>44</u>	<u>(217,622)</u>
Other Financing Sources:							
Insurance Proceeds	19,263	0	0	0	0	0	19,263
Proceeds from Sale of Vehicles	942	7,414	0	0	0	0	8,356
Transfers In	<u>127,945</u>	<u>175,000</u>	<u>60,000</u>	<u>0</u>	<u>0</u>	<u>49,533</u>	<u>412,478</u>
Total Other Financing Sources	<u>148,150</u>	<u>182,414</u>	<u>60,000</u>	<u>0</u>	<u>0</u>	<u>49,533</u>	<u>440,097</u>
Net Change in Fund Balances	35,319	158,180	45,334	(72,286)	6,351	49,577	222,475
Fund Balances - July 1, 2018	<u>16,045</u>	<u>238,738</u>	<u>129,226</u>	<u>82,838</u>	<u>22,525</u>	<u>9,773</u>	<u>499,145</u>
Fund Balances - June 30, 2019	<u>\$ 51,364</u>	<u>\$ 396,918</u>	<u>\$ 174,560</u>	<u>\$ 10,552</u>	<u>\$ 28,876</u>	<u>\$ 59,350</u>	<u>\$ 721,620</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2019

	<u>Emergency Fuel Fund</u>	<u>M. Garofano Memorial Fund</u>	<u>Grace Stoolfire Trust Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 18,296	\$ 10,496	\$ 66,900	\$ 95,692
Investments	<u>0</u>	<u>0</u>	<u>367,384</u>	<u>367,384</u>
Total Assets	<u>18,296</u>	<u>10,496</u>	<u>434,284</u>	<u>463,076</u>
<u>LIABILITIES</u>				
Liabilities:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>NET POSITION</u>				
Restricted:				
Held in Trust for:				
Other Purposes	<u>18,296</u>	<u>10,496</u>	<u>434,284</u>	<u>463,076</u>
Total Net Position	<u>\$ 18,296</u>	<u>\$ 10,496</u>	<u>\$ 434,284</u>	<u>\$ 463,076</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Emergency Fuel Fund	M. Garofano Memorial Fund	Grace Stoolfire Trust Fund	Total
Additions:				
Investment Income	\$ 9	\$ 6	\$ 32,566	\$ 32,581
Donations	<u>800</u>	<u>0</u>	<u>0</u>	<u>800</u>
Total Additions	<u>809</u>	<u>6</u>	<u>32,566</u>	<u>33,381</u>
Deductions:				
Music Programs	0	0	5,000	5,000
Miscellaneous	<u>0</u>	<u>0</u>	<u>71</u>	<u>71</u>
Total Deductions	<u>0</u>	<u>0</u>	<u>5,071</u>	<u>5,071</u>
Change in Net Position	809	6	27,495	28,310
Net Position - July 1, 2018	<u>17,487</u>	<u>10,490</u>	<u>406,789</u>	<u>434,766</u>
Net Position - June 30, 2019	<u>\$ 18,296</u>	<u>\$ 10,496</u>	<u>\$ 434,284</u>	<u>\$ 463,076</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF FUND NET POSITION
 PROPRIETARY FUND
 WATER FUND
 JUNE 30, 2019

	Water Fund	Water Capital Fund	Water Vehicle Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 0	\$ 1,516,487	\$ 15,511	\$ 1,531,998
Restricted Cash	452,660	0	0	452,660
Receivables (Net of Allowance for Uncollectibles)	1,503,997	0	0	1,503,997
Due from Other Funds	0	61,462	2,000	63,462
Prepaid Expenses	12,413	0	0	12,413
Inventory	79,657	0	0	79,657
Total Current Assets	<u>2,048,727</u>	<u>1,577,949</u>	<u>17,511</u>	<u>3,644,187</u>
Noncurrent Assets:				
Capital Assets:				
Land	2,817,569	0	0	2,817,569
Construction in Progress	4,069,276	0	0	4,069,276
Land Improvements	145,946	0	0	145,946
Vehicles, Machinery and Equipment	3,292,455	0	0	3,292,455
Buildings, Distribution and Collection Systems	18,884,849	0	0	18,884,849
Less: Accumulated Depreciation	<u>(9,251,293)</u>	<u>0</u>	<u>0</u>	<u>(9,251,293)</u>
Total Noncurrent Assets	<u>19,958,802</u>	<u>0</u>	<u>0</u>	<u>19,958,802</u>
Total Assets	<u>22,007,529</u>	<u>1,577,949</u>	<u>17,511</u>	<u>23,602,989</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to the City's Participation in VMERS	49,845	0	0	49,845
Deferred Outflows of Resources Related to the City's Pension Plan	186,839	0	0	186,839
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	<u>69,613</u>	<u>0</u>	<u>0</u>	<u>69,613</u>
Total Deferred Outflows of Resources	<u>306,297</u>	<u>0</u>	<u>0</u>	<u>306,297</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	334,951	0	0	334,951
Accrued Payroll and Benefits Payable	21,725	0	0	21,725
Due to Other Funds	88,496	0	0	88,496
Due to Others	49,910	0	0	49,910
Unearned Revenue	9,734	0	0	9,734
Accrued Interest Payable	136,718	0	0	136,718
General Obligation Bonds Payable - Current Portion	230,575	0	0	230,575
Notes Payable - Current Portion	450,000	0	0	450,000
Capital Leases Payable - Current Portion	<u>302,824</u>	<u>0</u>	<u>0</u>	<u>302,824</u>
Total Current Liabilities	<u>1,624,933</u>	<u>0</u>	<u>0</u>	<u>1,624,933</u>
Noncurrent Liabilities:				
Compensated Absences Payable	142,120	0	0	142,120
Other Postemployment Benefits Payable	322,143	0	0	322,143
Net Pension Liability - VMERS	80,886	0	0	80,886
Net Pension Liability - City's Pension Plan	1,409,046	0	0	1,409,046
General Obligation Bonds Payable - Noncurrent Portion	2,476,233	0	0	2,476,233
Capital Leases Payable - Noncurrent Portion	<u>2,879,723</u>	<u>0</u>	<u>0</u>	<u>2,879,723</u>
Total Noncurrent Liabilities	<u>7,310,151</u>	<u>0</u>	<u>0</u>	<u>7,310,151</u>
Total Liabilities	<u>8,935,084</u>	<u>0</u>	<u>0</u>	<u>8,935,084</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to the City's Participation in VMERS	1,293	0	0	1,293
Deferred Inflows of Resources Related to the City's Pension Plan	392,914	0	0	392,914
Deferred Inflows of Resources Related to the City's Other Postemployment Benefits	<u>18,369</u>	<u>0</u>	<u>0</u>	<u>18,369</u>
Total Deferred Inflows of Resources	<u>412,576</u>	<u>0</u>	<u>0</u>	<u>412,576</u>
NET POSITION				
Net Investment in Capital Assets	14,522,107	0	0	14,522,107
Unrestricted/(Deficit)	<u>(1,555,941)</u>	<u>1,577,949</u>	<u>17,511</u>	<u>39,519</u>
Total Net Position	<u>\$ 12,966,166</u>	<u>\$ 1,577,949</u>	<u>\$ 17,511</u>	<u>\$ 14,561,626</u>

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 WATER FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Water Capital Fund	Water Vehicle Fund	Total
Operating Revenues:				
Charges for Services	\$ 3,501,766	\$ 0	\$ 0	\$ 3,501,766
Penalties and Interest	31,563	0	0	31,563
Other Income	25,699	0	0	25,699
Total Operating Revenues	3,559,028	0	0	3,559,028
Operating Expenses:				
Salaries and Benefits	1,135,499	0	0	1,135,499
Administrative Fees	766,083	0	0	766,083
Utilities	57,718	0	0	57,718
Insurances	134,027	0	0	134,027
Dues and Fees	40,331	0	0	40,331
Taxes	59,144	0	0	59,144
Telephone and Internet	7,161	0	0	7,161
Supplies	120,346	0	0	120,346
Machinery and Equipment	8,893	0	6,380	15,273
Repairs and Maintenance	74,222	0	0	74,222
Professional Services	137,354	0	0	137,354
Chemicals	54,608	0	0	54,608
Depreciation	504,768	0	0	504,768
Total Operating Expenses	3,100,154	0	6,380	3,106,534
Operating Income/(Loss)	458,874	0	(6,380)	452,494
Non-Operating Revenues/(Expenses):				
Timber Sales	71,669	0	0	71,669
Investment Income	0	21,200	21	21,221
Interest Expense	(194,207)	0	0	(194,207)
Total Non-Operating Revenues/(Expenses)	(122,538)	21,200	21	(101,317)
Net Income/(Loss) Before Capital Contributions and Transfers	336,336	21,200	(6,359)	351,177
Capital Contributions and Transfers:				
Capital Contributions	529,009	0	0	529,009
Transfers In	366,732	355,000	20,000	741,732
Transfers Out	(375,000)	(204,788)	(53,077)	(632,865)
Total Capital Contributions and Transfers	520,741	150,212	(33,077)	637,876
Change in Net Position	857,077	171,412	(39,436)	989,053
Net Position - July 1, 2018	12,109,089	1,406,537	56,947	13,572,573
Net Position - June 30, 2019	<u>\$ 12,966,166</u>	<u>\$ 1,577,949</u>	<u>\$ 17,511</u>	<u>\$ 14,561,626</u>

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF FUND NET POSITION
 PROPRIETARY FUND
 SEWER FUND
 JUNE 30, 2019

	Sewer Fund	Sewer Capital Fund	Sewer Vehicle Fund	CSO Capital Fund	Total
ASSETS					
Current Assets:					
Cash	\$ 590,557	\$ 330,221	\$ 78,055	\$ 481,936	\$ 1,480,769
Receivables (Net of Allowance for Uncollectibles)	1,969,076	0	0	0	1,969,076
Due from Others Funds	0	16,250	1,386	66,115	83,751
Prepaid Expenses	16,798	0	0	0	16,798
Inventory	35,131	0	0	0	35,131
Total Current Assets	<u>2,611,562</u>	<u>346,471</u>	<u>79,441</u>	<u>548,051</u>	<u>3,585,525</u>
Noncurrent Assets:					
Capital Assets:					
Land	49,360	0	0	0	49,360
Construction in Progress	569,636	0	0	0	569,636
Vehicles, Machinery and Equipment	3,415,677	0	0	0	3,415,677
Buildings, Distribution and Collection Systems	33,190,564	0	0	0	33,190,564
Less: Accumulated Depreciation	<u>(15,417,643)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(15,417,643)</u>
Total Noncurrent Assets	<u>21,807,594</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,807,594</u>
Total Assets	<u>24,419,156</u>	<u>346,471</u>	<u>79,441</u>	<u>548,051</u>	<u>25,393,119</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to the City's Participation in VMERS	43,873	0	0	0	43,873
Deferred Outflows of Resources Related to the City's Pension Plan	404,773	0	0	0	404,773
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	163,686	0	0	0	163,686
Total Deferred Outflows of Resources	<u>612,332</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>612,332</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	337,457	0	0	0	337,457
Accrued Payroll and Benefits Payable	28,169	0	0	0	28,169
Due to Other Funds	120,367	0	0	0	120,367
Due to Others	38,815	0	0	0	38,815
Unearned Revenue	5,786	0	0	0	5,786
Accrued Interest Payable	29,768	0	0	0	29,768
General Obligation Bonds Payable - Current Portion	442,364	0	0	0	442,364
Notes Payable - Current Portion	150,000	0	0	0	150,000
Total Current Liabilities	<u>1,152,726</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,152,726</u>
Noncurrent Liabilities:					
Compensated Absences Payable	231,384	0	0	0	231,384
Other Postemployment Benefits Payable	665,907	0	0	0	665,907
Net Pension Liability - VMERS	71,370	0	0	0	71,370
Net Pension Liability - City's Pension Plan	3,052,603	0	0	0	3,052,603
General Obligation Bonds Payable - Noncurrent Portion	5,593,595	0	0	0	5,593,595
Total Noncurrent Liabilities	<u>9,614,859</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,614,859</u>
Total Liabilities	<u>10,767,585</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,767,585</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to the City's Participation in VMERS	1,141	0	0	0	1,141
Deferred Inflows of Resources Related to the City's Pension Plan	851,223	0	0	0	851,223
Deferred Inflows of Resources Related to the City's Other Postemployment Benefits	37,986	0	0	0	37,986
Total Deferred Inflows of Resources	<u>890,350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>890,350</u>
NET POSITION					
Net Investment in Capital Assets	15,771,635	0	0	0	15,771,635
Unrestricted/(Deficit)	<u>(2,398,082)</u>	<u>346,471</u>	<u>79,441</u>	<u>548,051</u>	<u>(1,424,119)</u>
Total Net Position	<u>\$ 13,373,553</u>	<u>\$ 346,471</u>	<u>\$ 79,441</u>	<u>\$ 548,051</u>	<u>\$ 14,347,516</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Sewer Fund	Sewer Capital Fund	Sewer Vehicle Fund	CSO Capital Fund	Total
Operating Revenues:					
Charges for Services	\$ 5,337,674	\$ 28,132	\$ 0	\$ 0	\$ 5,365,806
Penalties and Interest	42,222	0	0	0	42,222
Other Income	<u>1,551</u>	<u>0</u>	<u>0</u>	<u>6,419</u>	<u>7,970</u>
Total Operating Revenues	<u>5,381,447</u>	<u>28,132</u>	<u>0</u>	<u>6,419</u>	<u>5,415,998</u>
Operating Expenses:					
Salaries and Benefits	1,728,323	0	0	0	1,728,323
Administrative Fees	766,083	0	0	0	766,083
Utilities	383,734	0	0	0	383,734
Insurances	187,922	0	0	0	187,922
Dues and Fees	12,600	0	0	0	12,600
Technology	1,924	0	0	0	1,924
Telephone and Internet	7,216	0	0	0	7,216
Supplies	108,227	0	0	0	108,227
Machinery and Equipment	24,599	0	7,254	22,927	54,780
Repairs and Maintenance	199,145	0	0	0	199,145
Professional Services	53,850	0	0	0	53,850
Chemicals	158,669	0	0	0	158,669
Real Estate Lease	5,700	0	0	0	5,700
Sludge Disposal	615,401	0	0	0	615,401
Miscellaneous	425	0	0	0	425
Depreciation	<u>790,623</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>790,623</u>
Total Operating Expenses	<u>5,044,441</u>	<u>0</u>	<u>7,254</u>	<u>22,927</u>	<u>5,074,622</u>
Operating Income/(Loss)	<u>337,006</u>	<u>28,132</u>	<u>(7,254)</u>	<u>(16,508)</u>	<u>341,376</u>
Non-Operating Revenues/(Expenses):					
Investment Income	0	3,898	36	5,190	9,124
Interest Expense	<u>(112,772)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(112,772)</u>
Total Non-Operating Revenues/(Expenses)	<u>(112,772)</u>	<u>3,898</u>	<u>36</u>	<u>5,190</u>	<u>(103,648)</u>
Net Income/(Loss) Before Transfers	<u>224,234</u>	<u>32,030</u>	<u>(7,218)</u>	<u>(11,318)</u>	<u>237,728</u>
Transfers:					
Transfers In	23,215	65,000	20,000	264,460	372,675
Transfers Out	<u>(458,327)</u>	<u>0</u>	<u>0</u>	<u>(23,215)</u>	<u>(481,542)</u>
Total Transfers	<u>(435,112)</u>	<u>65,000</u>	<u>20,000</u>	<u>241,245</u>	<u>(108,867)</u>
Change in Net Position	(210,878)	97,030	12,782	229,927	128,861
Net Position - July 1, 2018	<u>13,584,431</u>	<u>249,441</u>	<u>66,659</u>	<u>318,124</u>	<u>14,218,655</u>
Net Position - June 30, 2019	<u>\$ 13,373,553</u>	<u>\$ 346,471</u>	<u>\$ 79,441</u>	<u>\$ 548,051</u>	<u>\$ 14,347,516</u>

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Vermont Agency of Commerce and Community Development				
Community Development Block Grant	14.228	07110-IG-2013-009	\$ 185,642	\$ 185,642
Total U.S. Department of Housing and Urban Development			<u>185,642</u>	<u>185,642</u>
<u>U.S. Department of Justice</u>				
Direct				
Bulletproof Vest Partnership Program	16.607	BVP 2017	0	1,266
Edward Byrne Memorial Justice Assistance Grants Program	16.738	2016-DJ-BX-0895	0	7,944
Equitable Sharing Program	16.922	N/A	0	7,494
Passed through State of Vermont Center for Crime Victim Services				
VOCA Assistance (FF17)	16.575	02160-VOCA17-2-40495	0	21,548
STOP Violence Against Women Formula Grant Program	16.588	02160STOP-18-40495	<u>0</u>	<u>25,934</u>
Total U.S. Department of Justice			<u>0</u>	<u>64,186</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	08216-CA0335	0	222,547
Highway Planning and Construction	20.205	08126-CA0419	<u>0</u>	<u>861</u>
Total Highway Planning and Construction Cluster			<u>0</u>	<u>223,408</u>
Passed through Rutland County Sheriff's Department				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	GR1230	0	6,300
State and Community Highway Safety	20.600	GR1231	<u>0</u>	<u>7,792</u>
Total Highway Safety Cluster			<u>0</u>	<u>14,092</u>
Minimum Penalties for Repeat Offenders DUI	20.608	GR1230	<u>0</u>	<u>2,143</u>
Minimum Penalties for Repeat Offenders DUI	20.608	GR1231	<u>0</u>	<u>3,883</u>
Total U.S. Department of Transportation			<u>0</u>	<u>243,526</u>

See Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
<u>U.S. Environmental Protection Agency</u>				
Passed through State of Vermont Department of Environmental Conservation				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	06140-RF-193	\$ 0	\$ 32,265
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	06140-RF3-340	<u>0</u>	<u>873,945</u>
Total U.S. Environmental Protection Agency			<u>0</u>	<u>906,210</u>
Total			<u>\$ 185,642</u>	<u>\$ 1,399,564</u>

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Rutland, Vermont under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Rutland, Vermont it is not intended to and does not present the financial position, changes in net position or cash flows.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Rutland, Vermont has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Board of Aldermen
City of Rutland, Vermont
P.O. Box 969
Rutland, Vermont 05702

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Rutland, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Rutland, Vermont's basic financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rutland, Vermont'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 of Rutland, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rutland, Vermont'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 City of Rutland, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

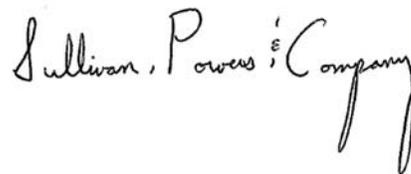
As part of obtaining reasonable assurance about whether the City of Rutland, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

However, we noted certain others matter that we reported to the management of the City of Rutland, Vermont in a separate letter dated March 27, 2020.

Purpose of this Report

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

March 27, 2020
Montpelier, Vermont
VT Lic. #92-000180

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

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Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

Board of Aldermen
City of Rutland, Vermont
P.O. Box 969
Rutland, Vermont 05702

Report on Compliance for Each Major Federal Program

We have audited City of Rutland, Vermont's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Compliance Supplement" that could have a direct and material effect on the City of Rutland, Vermont's major federal program for the year ended June 30, 2019. The City of Rutland, Vermont's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Rutland, Vermont's major federal program based on our audit of the types of compliance requirements referred to previously.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and Title 2 U.S. "Code of Federal Regulations" Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rutland, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City of Rutland, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Rutland, Vermont complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

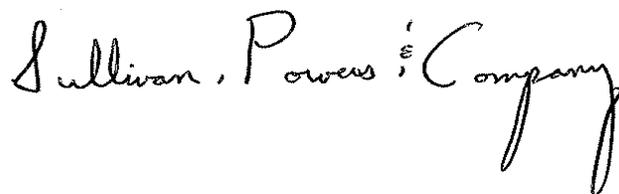
The management of the City of Rutland, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of Rutland, Vermont's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

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

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

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

March 27, 2020
Montpelier, Vermont
VT Lic. #92-000180



CITY OF RUTLAND, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Deficiencies in Internal Control:

Material Weaknesses:

2018-01 Forgiveness of Debt

Criteria:

Internal controls should be in place to ensure the City recognizes forgiveness of debt in the proper year.

Condition:

The City did not have controls in place to ensure that the outstanding debt balances reflect the forgiveness of debt recognized during the year.

Cause:

Unknown.

Effect:

The City's debt balances were overstated.

Recommendation:

We recommend that the City implement controls to ensure that the outstanding debt balances reflect the forgiveness of debt recognized during the year.

Management's Response:

The City of Rutland recognizes the need to properly account for the forgiveness of debt. Additional procedures for recording debt forgiveness will be included in our accounting reporting process.

Corrective Action Taken:

Corrective action was taken.

2018-02 Other Postemployment Benefits Liability

Criteria:

Internal controls should be in place to ensure that the City's other postemployment benefits liability and related deferred outflows of resources are recorded appropriately.

CITY OF RUTLAND, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Condition:

The City did not have controls in place to ensure that the other postemployment benefits liability and related deferred outflows of resources were recorded appropriately.

Cause:

Unknown.

Effect:

The City's other post employment benefits liability and related deferred outflows of resources were incorrect resulting in adjustments to the Governmental and Business-type Activities and the Water, Sewer and Parking Meter Funds.

Recommendation:

We recommend that the City implement controls to ensure that the City's other postemployment benefits liability and related deferred outflows of resources are accurately reported.

Management's Response:

The City of Rutland recognizes that proper reporting of other postemployment benefits liability and related deferred outflows and inflows of resources is necessary. Internal procedures will be reviewed for proper OPEB accounting.

Corrective Action Taken:

Corrective action was taken.

2018-03 Net Pension Liability

Criteria:

Internal controls should be in place to ensure that the net pension liability and related deferred outflows and inflows of resources are recorded appropriately.

Condition:

The City did not have controls in place to ensure that the net pension liability and related deferred outflows and inflows of resources were recorded appropriately.

Cause:

Unknown.

CITY OF RUTLAND, VERMONT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Effect:

The City's net pension liability and related deferred outflows and inflows of resources were incorrect resulting in adjustments to the Governmental and Business-type Activities and the Water, Sewer and Parking Meter Funds.

Recommendation:

We recommend that the City implement controls to ensure that the net pension liability and related deferred outflows and inflows of resources are recorded appropriately.

Management's Response:

The City of Rutland recognizes that additional controls are necessary for the proper reporting of net pension liability and related deferred outflows and inflows of resources. Internal procedures will be reviewed for proper reporting of pension liability.

Corrective Action Taken:

Corrective action was taken.

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:
Unmodified.

Internal Control Over Financial Reporting:
Material Weaknesses identified:
None noted.
Significant Deficiencies identified not considered to be material weaknesses:
None noted.

Noncompliance material to financial statements:
None noted.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
None noted.
Significant Deficiencies identified not considered to be material weaknesses:
None noted.

Type of auditor's report issued on compliance for major programs:
Unmodified.

There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Federal Agency</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds	U.S. Environmental Protection Agency

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The auditee did qualify as a low risk auditee.