

**CITY OF RUTLAND, VERMONT**

**AUDIT REPORT AND REPORTS ON  
COMPLIANCE AND INTERNAL CONTROL**

**JUNE 30, 2018**

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AUDIT REPORT  
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**Sullivan, Powers & Co., P.C.**  
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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, 2018, 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, 2018, 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.

### ***Change in Accounting Principle***

As described in Note I.F. to the financial statements, the City adopted new accounting guidance, GASB Statement No. 75, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”. Our opinion is not modified with respect to this matter.

### ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4 through 15, 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 Funding Progress 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 25, 2019 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 25, 2019  
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, sweeping flourish at the end of the word "Company".

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Management of the City of Rutland (the City) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Please note that this section of the Basic Financial Statements is unaudited.

**FINANCIAL HIGHLIGHTS**

- Effective June 30, 2018, the City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than pensions. This statement requires employers to record a net OPEB liability measured as the total OPEB liability, as of a determined date, less the amount of the OPEB plan's fiduciary net position. This resulted in a restatement of beginning (July 1, 2017) total net position from \$50,629,228 to \$48,233,514.
- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$49,701,937 (net position). The net position is comprised of investment in capital assets, net of related debt, and restricted and unrestricted funds.
- The City's total net position increased by \$1,468,423 or 3.04% based on the fiscal year 2017 restatement. Of this amount, net position of the governmental activities decreased by (\$473,498) or 2.1% and net position attributable to business-type activities increased by \$1,941,921 or 7.5%.
- The unrestricted net position represents the funds that may be used to meet the City's ongoing obligations. At the close of the current fiscal year, the unrestricted net position was a deficit of \$21,920,710. The unrestricted net position includes the City's net pension liability. The net pension liability at the close of the fiscal year was of \$22,368,517, a decrease of \$1,151,762 over the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,809,288. This is decrease of \$4,136,694 from the prior year's combined ending fund balance of \$9,945,982. This reflects the reduction in restricted fund balances that were held in Capital Project Funds including, Bridge and White's Pool funds.
- At the end of the current fiscal year, the unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$3,376,673, or approximately 14.4% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by \$2,146,026 during the current fiscal year. Additions to long-term debt totaled \$1,201,829 and were offset by principal payments of \$3,347,855.
- As of June 30, 2018 the Net Pension Liability in the City Pension for school and municipal employees was a combined to \$33,133,722 a decrease of \$4,928,078 over the prior year.

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are presented in three sections: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, this report also contains other and required supplementary information such as a general fund budget to actual comparison and combining financial statements.

It is important for the reader to understand that, although governmental accounting resembles private sector accounting, the two differ significantly. The government-wide financial statements will be the most familiar for readers versed in private sector financial reporting. Readers should know that the financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. For example, the City operates a wastewater treatment facility and two water treatment plants. These operations are referred to as business-type activities, they are supported by user fees, and are recorded in enterprise funds separately from the general governmental activities which are accounted for primarily in the general fund and supported in large part by property tax revenues.

**Government-Wide Financial Statements**

The government-wide financial statements provide a general overview of the City's operations presenting all data on the full accrual basis, similar to the way a private sector business would present its financial statements. There are two statements presented at the government-wide level: the Statement of Net Position and the Statement of Activities. Within each of these statements, governmental activities are presented separately from business-type activities. The governmental activities reflect the City's basic services; including general government, public safety, public works, community development, parks and recreation, and public improvements. Property taxes finance the majority of these services supplemented by program fees, grant revenues, and other revenues. The business-type activities reflect private-sector-type operations for which user fees recover all or a significant portion of costs. The business-type activities of the City include water, sewer, parking meter and transit center operations.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

The Statement of Activities reports how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave time).

The government-wide financial statements include not only the City itself (referred to as the primary government), but also other legally separate entities for which the City is financially accountable (referred to as component units). During the current year, the City was responsible for the Rutland Redevelopment Authority that qualified as component unit.

The government-wide financial statements can be found in Exhibits A and B.

### **Fund Financial Statements**

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The funds of the City are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine the level of financial resources that are available to finance the City's programs in the near future. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship between the two.

The City maintains one major governmental fund; the General Fund. In addition to this, the City maintains five special revenue funds and six capital project funds, none of which qualify as major funds. These funds are consolidated into the column labeled Non-Major Governmental Funds in the Fund Financial Statements. Combining financial statements containing more detailed information on these funds may be found in Schedules 8 through 13.

The basic governmental fund financial statements can be found in Exhibits C through E. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided in Schedule 1 for the purpose of demonstrating compliance with the duly appropriated budget.

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

***Proprietary funds*** are used to account for a government's business-type activities at the fund level. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two major enterprise funds: the Water Fund and the Sewer Fund and two non-major enterprise funds: the Parking Meter Fund and the Transit Center Management Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. At this time, the City has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements of the City may be found in Exhibits F through H.

***Fiduciary funds***, also known as trust and agency funds, account for resources for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has a Pension Trust Fund, detailed in Exhibits I and J. The City has three Private Purpose Trust Funds with consolidated amounts detailed in Exhibits I and J and additional information on these funds may be found in Schedule 14 and 15.

***Notes to the Financial Statements*** provide additional information that is necessary to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes serve to explain, clarify, and expand upon the financial data presented in the financial statements, and provide some additional information. The notes can be found immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, certain required ***Supplementary Information*** is provided, including a budgetary comparison statement for the general fund, information on changes in the net pension liability, employer contributions to pensions, and investment returns. The supplementary information can be found immediately following the notes to the financial statements in this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the budget and pension.

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Summary Statement of Net Position**

	Governmental Activities 2018	Business-Type Activities 2018	Total Government 2018	Governmental Activities 2017	Business-Type Activities 2017	Total Government 2017
<b>Assets:</b>						
Other Assets	8,908,062	6,288,819	15,196,881	13,596,913	6,351,803	19,948,716
Capital Assets	45,091,793	38,660,539	83,752,332	41,271,434	38,219,319	79,490,753
Total Assets	<u>53,999,855</u>	<u>44,949,358</u>	<u>98,949,213</u>	<u>54,868,347</u>	<u>44,571,122</u>	<u>99,439,469</u>
Deferred Outflows of Resources	<u>7,058,081</u>	<u>1,640,363</u>	<u>8,698,444</u>	<u>5,300,888</u>	<u>1,125,841</u>	<u>6,426,729</u>
<b>Liabilities:</b>						
Other Liabilities	1,158,469	384,477	1,542,946	1,585,664	752,759	2,338,423
Noncurrent Liabilities	33,038,529	17,035,508	50,074,037	29,983,002	18,116,254	48,099,256
Total Liabilities	<u>34,196,998</u>	<u>17,419,985</u>	<u>51,616,983</u>	<u>31,568,666</u>	<u>18,869,013</u>	<u>50,437,679</u>
Deferred Inflows of Resources	<u>4,870,190</u>	<u>1,458,547</u>	<u>6,328,737</u>	<u>3,807,459</u>	<u>991,832</u>	<u>4,799,291</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	39,937,358	29,862,219	69,799,577	38,276,435	28,098,003	66,374,438
Restricted	1,823,070	0	1,823,070	2,907,510	0	2,907,510
Unrestricted/(Deficit)	(19,769,680)	(2,151,030)	(21,920,710)	(16,390,835)	(2,261,885)	(18,652,720)
Total Net Position	<u>\$ 21,990,748</u>	<u>\$ 27,711,189</u>	<u>\$ 49,701,937</u>	<u>\$ 24,793,110</u>	<u>\$ 25,836,118</u>	<u>\$ 50,629,228</u>

As noted earlier, net position serves as a useful indicator of a government's financial position over time. At the end of the most recent fiscal year, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,701,937. The City's total net position is split between governmental activities net position of \$21,990,748 and business-type activities net position of \$27,711,189.

The largest portion of the City's total net position, \$69,799,577, reflects its investment in capital assets (construction in progress, equipment, land, buildings and infrastructure) net of any outstanding debt used to acquire or construct those assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The City's total net position includes \$1,823,070 of restricted net position. Restricted net position represents assets whose use is subject to external restrictions. The remaining balance of (\$21,920,170) is unrestricted net position/(deficit).

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Summary of the Statement of Activities**

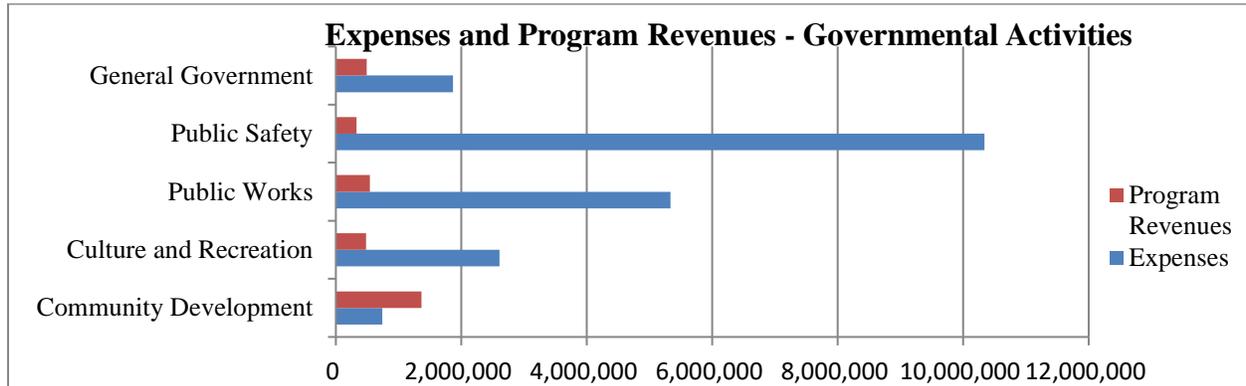
	Governmental Activities 2018	Business-Type Activities 2018	Total Government 2018	Governmental Activities 2017	Business-Type Activities 2017	Total Government 2017
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,131,047	\$ 9,326,360	\$ 10,457,407	\$ 1,110,945	\$ 9,230,423	\$ 10,341,368
Operating Grants & Contributions	771,247	6,983	778,230	1,490,716	0	1,490,716
Capital Grants & Contributions	1,303,673	1,675,335	2,979,008	2,731,335	59,768	2,791,103
General Revenues:			0			
Property Taxes	15,884,681	0	15,884,681	15,166,074	0	15,166,074
Other	1,458,985	61,120	1,520,105	1,441,671	19,035	1,460,706
<b>Total Revenues</b>	<b>20,549,633</b>	<b>11,069,798</b>	<b>31,619,431</b>	<b>21,940,741</b>	<b>9,309,226</b>	<b>31,249,967</b>
<b>Expenses:</b>						
General Government	1,866,714	0	1,866,714	2,860,606	0	2,860,606
Public Safety	10,339,475	0	10,339,475	10,397,559	0	10,397,559
Public Works	5,334,146	0	5,334,146	4,141,814	0	4,141,814
Culture and Recreation	2,609,415	0	2,609,415	2,515,448	0	2,515,448
Community Development	738,868	0	738,868	1,234,036	0	1,234,036
Interest on Long-Term Debt	134,513	0	134,513	145,043	0	145,043
Water	0	3,014,208	3,014,208	0	2,838,864	2,838,864
Wastewater	0	5,555,950	5,555,950	0	4,940,174	4,940,174
Parking	0	212,886	212,886	0	206,375	206,375
Transit	0	344,833	344,833	0	382,838	382,838
<b>Total Expenses</b>	<b>21,023,131</b>	<b>9,127,877</b>	<b>30,151,008</b>	<b>21,294,506</b>	<b>8,368,251</b>	<b>29,662,757</b>
<b>Increase (Decrease) in Net Position</b>						
Before Transfers	(473,498)	1,941,921	1,468,423	646,235	940,975	1,587,210
Transfers	0	0	0	(24,014)	24,014	0
<b>Increase (Decrease) in Net Position</b>	<b>(473,498)</b>	<b>1,941,921</b>	<b>1,468,423</b>	<b>622,221</b>	<b>964,989</b>	<b>1,587,210</b>
Beginning Net Position	22,464,246	25,769,268	48,233,514	24,170,889	24,871,129	49,042,018
<b>Ending Net Position</b>	<b>\$ 21,990,748</b>	<b>\$ 27,711,189</b>	<b>\$ 49,701,937</b>	<b>\$ 24,793,110</b>	<b>\$ 25,836,118</b>	<b>\$ 50,629,228</b>

**Governmental Activities**

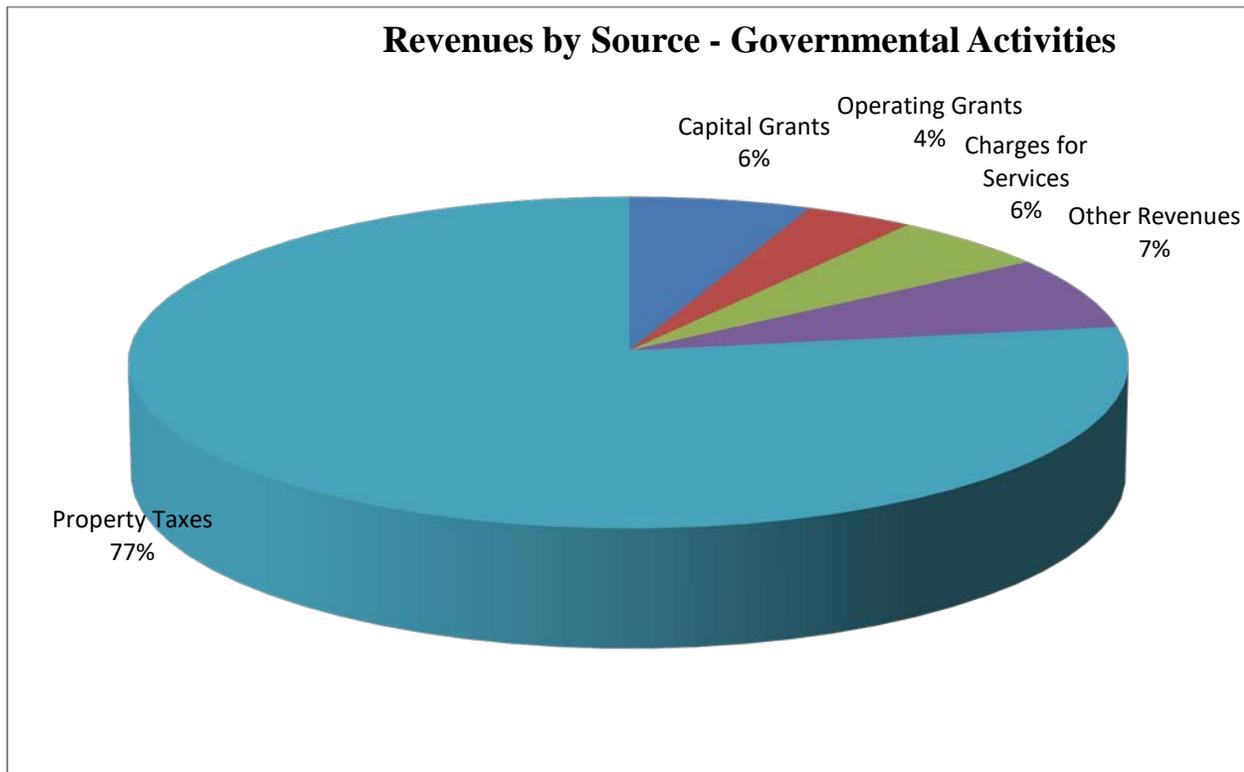
Governmental activities decreased the City's net position by (\$473,498) for the year ended June 30, 2018. The decrease is overall expenses in excess of revenues.

The following graph entitled Expense and Program Revenues – Governmental Activities, gives the reader an idea of how each major program is funded. The revenues included in this graph are program specific revenues including user fees, operating grants, and capital grants. General revenues such as property tax revenues and interest earnings are excluded. The supporting data may be found on Exhibit B, the Statement of Activities. Public Safety is the largest category of expenses in the current year and historically.

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**



The majority of revenue for governmental activities comes from property taxes; 77% of total revenue or \$15,884,681. The second largest category of revenue is capital grants and operating grants coming in at a combined 10% of total revenue or \$2,074,920. The following graph shows the distribution of governmental activities revenues by source for the year ended June 30, 2018.



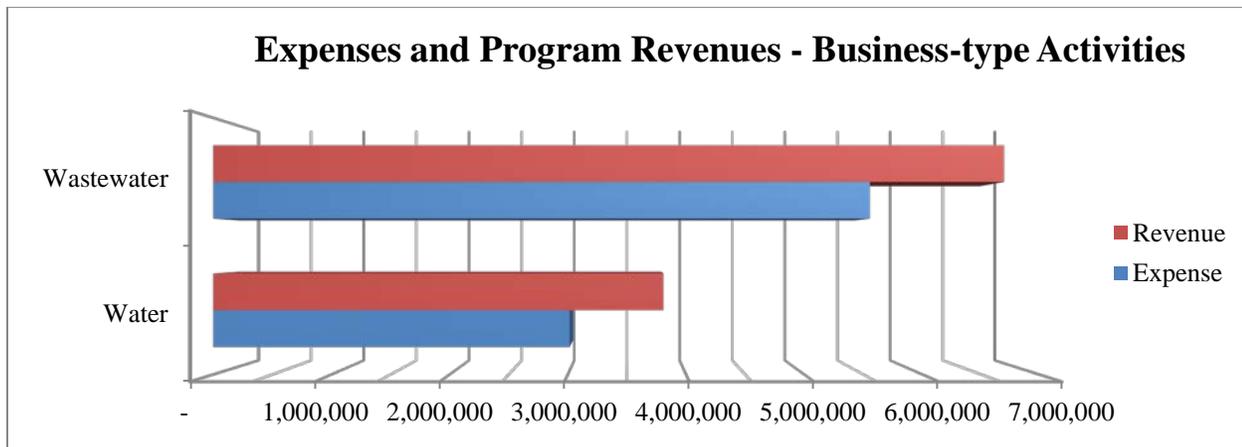
**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Business-type Activities**

Business-type activities increased the City's net position by \$1,941,921 during the current fiscal year. The increase reflects the excess revenues over expenses in the current year.

The City's business-type activities are supported by user fees and allocation fees, also referred to as charges for services. Revenues by source were 84% from charges for services and 16% from capital and operating grants and other income.

As the name suggests, business-type activities are accounted for in the same manner that businesses would account for operations. Therefore, it is necessary that revenues meet or exceed expenses in order to continue operating. The graph below titled Expenses and Program Revenues – Business-type Activities, demonstrates that during the current fiscal year, revenues exceeded expenses for both the water fund and the sewer fund. Operating revenues exceeded operating expenses in the water fund by \$582,968 or 16.6% of total operating revenues. In the sewer fund, operating expenses exceeded operating revenues by (\$74,261) or -1.4% of total operating revenues. After factoring in nonoperating revenues, nonoperating expense, and transfers the water and sewer funds reported an increase in net position of \$852,649 and \$1,143,490, respectively. Each year the amount that revenues exceed expenses in these funds increases unrestricted net position. Included in unrestricted net position are amounts that management has designated for particular purposes, such as future capital projects and debt service.



**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Information presented and discussed in this section is specific to the fund financial statements.

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Governmental Funds**

The focus of the City's governmental funds is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,809,288, a decrease of \$4,136,694 over the prior year. Of this total amount, \$239,255 is non-spendable (advances to other funds, prepaid items and inventories) and \$1,916,052 is restricted, which indicates it is not available for discretionary spending, as it is otherwise restricted by grant agreements, statutes, or debt covenants. Of the remaining amount, \$2,100,330 has been assigned or committed by the City for various purposes (detailed in Footnote IV. J Net Position/Fund Balances) and unassigned fund balance of \$1,553,651.

The General Fund is the chief operating fund of the City. At the end of the year, total fund balance in the General Fund was \$3,938,548, a decrease of \$1,098,385 from the previous year. Of this amount, \$239,255 is non-spendable and \$322,620 was restricted, \$1,823,022 has been assigned as detailed in the footnotes and the remaining \$1,553,651 is unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total general fund expenditures. Total fund balance represents approximately 16.8% of total General Fund expenditures; however, this amount includes non-spendable balances which would not be available to finance General Fund expenditures if necessary. The remaining categories of fund balance (committed, assigned, and unassigned) are referred to as unrestricted fund balance and are resources that could be liquidated to support General Fund expenditures if necessary. Unrestricted fund balance represents 14.4% of total General Fund expenditures.

In the governmental funds other than the general fund the most noteworthy change to fund balance is a decrease in restricted fund balance of (\$2,570,278) which reflects use of the Pool Bond and Bridge Bond funds.

**General Fund Budgetary Highlights**

Final actual revenues exceeded of budgeted revenues by \$2,674,873 at year end. Most of the excess is attributable to grant and other revenue that is not budgeted. General tax revenues are lower than expected due to delinquencies at year, errors and omissions and other adjustments affecting the grand list. Increases in grant revenue were consumed by increased expenditures related to grant programs.

Final actual expenditures are higher than budgeted amounts by \$2,463,688. A few City departments posted higher expenses than budgeted, including Legislative (Tax abatements approved by the Board), Human Resources, Attorney, Streets, Community Development (unbudgeted grant expenditure offset by revenues), and Debt Service (including post-employment payouts). All other City Departments met or fell below budget targets.

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

The General Fund actuals show expenditures over revenues by \$1,592,292. After application of transfers and proceeds of debt, insurance and sale of land, fund balance decreased by \$1,098,385.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the water fund is \$13,572,573, an increase of 6.7% from the previous year. Water fund net position is all invested in capital assets. In the sewer fund, total net position is \$14,218,655, an increase of 8.7% from the previous year. All of the net position in the sewer fund is also invested in capital assets. Other major factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

The City sets water and sewer rates in conjunction with the Board of Alderman approval of budgets for the Water and Sewer Funds. Parking rates and fines are established by City Ordinances. Revenues associated with the Transit Center Fund are determined by the contracts with the State of Vermont and a parking management contractor.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for governmental and business-type activities as of June 30, 2018 were \$153,839,746 (before depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The City's combined investment in capital assets increased by \$7,457,695. Combined accumulated depreciation at the end of the year is \$70,087,414. Capital assets for governmental activities increased by \$3,820,359, net of accumulated depreciation. Capital assets for business-type activities increased by \$441,220, net of accumulated depreciation.

**Summary of Capital Assets**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total <u>Governmental</u>
	<u>2018</u>	<u>2018</u>	<u>2017</u>
Capital Assets:			
Land and Land Improvements	\$ 4,560,286	\$ 3,043,929	7,604,215
Construction in Progress	419,800	319,223	739,023
Buildings, and Buildings and Land Improvements	14,296,152	52,046,417	66,342,569
Vehicles, Machinery and Equipment	11,393,687	7,065,650	18,459,337
Infrastructure	60,694,602	0	60,694,602
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Less: Accumulated Depreciation	(46,272,734)	(23,814,680)	(70,087,414)
Total Assets, Net	<u>\$ 45,091,793</u>	<u>\$ 38,660,539</u>	<u>\$ 83,752,332</u>

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Additional information on the City's capital assets can be found in Footnote IV. D capital Assets.

**Long-Term Debt**

The City began the year with \$17,448,528 in long-term debt outstanding. As of June 30, 2018, this amount had decreased by \$2,146,026 or 12.0% to end the current year with \$15,302,502 in long-term debt outstanding.

**Summary of Long Term Debt**

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Governmental Activities	\$ 5,527,212	\$ 317,700	\$ 540,730	\$ 5,304,182
Business-type Activities	11,921,316	884,129	2,807,125	9,998,320
Total Government	<u>\$ 17,448,528</u>	<u>\$ 1,201,829</u>	<u>\$ 3,347,855</u>	<u>\$ 15,302,502</u>

Additional information about long-term debt can be found in Footnote I Long-term Liabilities.

**Economic Factors, Tax Rates and 2018 Grand List**

The delinquent tax amounts (all years) as a percentage of annual tax revenue for the fiscal year, including School and municipal taxes, at August 31 each year:

	<b>Delinquent Taxes</b>	<b>Expected tax revenue</b>	<b>% Delinquent</b>
FY 2018	\$1,195,190	\$30,814,625	3.87%
FY 2017	\$1,283,290	\$31,133,758	4.12%
FY 2016	\$1,356,370	\$31,332,858	4.33%
FY 2015	\$1,215,424	\$30,958,740	3.93%
FY 2014	\$1,197,463	\$29,094,822	4.12%

**CITY OF RUTLAND, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Changes in the grand list were due to state tax department homestead changes, errors and omissions, grievances, and adjustments.

	<b>Grand List, BOY</b>	<b>Grand List EOY</b>
FY 2018	10,097,684	10,100,267
FY 2017	10,203,548	10,204,788
FY 2016	10,229,353	10,218,268
FY 2015	10,150,930	10,137,705
FY 2014	10,141,084	10,134,000

The grand list value at beginning of year (BOY) is value at the time the rates are applied to create the billing file; the value for the end of year (EOY) is the grand list value at fiscal year-end. Modest gains on the grand list are made each year due to investments in commercial properties. Reductions are due to grievances, lister adjustments, and properties that become City-owned through tax sale. The City acquired several properties in FY 18 due to tax sale activity.

Overall property tax rates for FY 2018 increased over FY 2017 due to a reduction in the education tax rates and slight increase in the municipal rates. The homestead education tax for FY 2018 was \$1.4799 compared to \$1.5607 in the prior year. Non-residential education tax rate decreased to \$1.5579 compared to \$1.6243 in the prior year. The municipal rate increased from \$1.5170 to \$1.5932. Both school and municipal budgets were approved by the voters.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report requests for additional financial information should be addressed to The City Treasurer's Office, 802-773-1800 x239.

CITY OF RUTLAND, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rutland Redevelopment Authority
<u>ASSETS</u>				
Cash	\$ 5,780,242	\$ 2,806,294	\$ 8,586,536	\$ 174,826
Investments	249,396	0	249,396	0
Receivables (Net of Allowance for Uncollectibles)	2,181,133	3,466,730	5,647,863	3,149
Loans Receivable	114,785	0	114,785	0
Internal Balances	111,002	(111,002)	0	0
Due from Component Unit	73,713	0	73,713	0
Due from Fiduciary Funds	2,273	0	2,273	0
Prepaid Expenses	182,490	36,228	218,718	0
Inventory	56,765	90,569	147,334	0
Restricted Cash	156,263	0	156,263	0
Capital Assets:				
Land and Easements	4,560,286	3,043,929	7,604,215	0
Construction in Progress	419,800	319,223	739,023	0
Other Capital Assets, (Net of Accumulated Depreciation)	40,111,707	35,297,387	75,409,094	0
Total Assets	<u>53,999,855</u>	<u>44,949,358</u>	<u>98,949,213</u>	<u>177,975</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	2,311,192	499,479	2,810,671	0
Deferred Outflows of Resources Related to the City's Participation in VMERS	1,249,488	83,189	1,332,677	0
Deferred Outflows of Resources Related to the City's Pension Plan	3,497,401	1,057,695	4,555,096	0
Total Deferred Outflows of Resources	<u>7,058,081</u>	<u>1,640,363</u>	<u>8,698,444</u>	<u>0</u>
<u>LIABILITIES</u>				
Accounts Payable	422,385	254,799	677,184	2,618
Accrued Payroll and Benefits Payable	527,417	47,982	575,399	0
Due to Others	8,000	11,990	19,990	0
Unearned Revenue	88,781	13,983	102,764	0
Due to Primary Government	0	0	0	73,713
Tax Sale Overpayments	92,408	0	92,408	0
Accrued Interest Payable	19,478	55,723	75,201	0
Noncurrent Liabilities:				
Due within One Year	544,572	1,266,326	1,810,898	0
Due in More than One Year	32,493,957	15,769,182	48,263,139	0
Total Liabilities	<u>34,196,998</u>	<u>17,419,985</u>	<u>51,616,983</u>	<u>76,331</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	15,748	0	15,748	0
Deferred Inflows of Resources Related to the City's Participation in VMERS	40,470	2,694	43,164	0
Deferred Inflows of Resources Related to the City's Pension Plan	4,813,972	1,455,853	6,269,825	0
Total Deferred Inflows of Resources	<u>4,870,190</u>	<u>1,458,547</u>	<u>6,328,737</u>	<u>0</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	39,937,358	29,862,219	69,799,577	0
Restricted:				
Giorgetti Park Improvements	1,015,982	0	1,015,982	0
Other	807,088	0	807,088	0
Unrestricted/(Deficit)	(19,769,680)	(2,151,030)	(21,920,710)	101,644
Total Net Position	<u>\$ 21,990,748</u>	<u>\$ 27,711,189</u>	<u>\$ 49,701,937</u>	<u>\$ 101,644</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, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Rutland Redevelopment Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Functions/Programs:								
Primary Government:								
Governmental Activities:								
General Government	\$ 1,866,714	\$ 422,579	\$ 68,150	\$ 0	\$ (1,375,985)	\$ 0	\$ (1,375,985)	\$ 0
Public Safety	10,339,475	267,199	62,919	0	(10,009,357)	0	(10,009,357)	0
Public Works	5,334,146	16,429	264,502	259,040	(4,794,175)	0	(4,794,175)	0
Culture and Recreation	2,609,415	423,158	56,921	0	(2,129,336)	0	(2,129,336)	0
Community Development	738,868	1,682	318,755	1,044,633	626,202	0	626,202	0
Interest on Long-term Debt	134,513	0	0	0	(134,513)	0	(134,513)	0
Total Governmental Activities	21,023,131	1,131,047	771,247	1,303,673	(17,817,164)	0	(17,817,164)	0
Business-type Activities:								
Water	3,014,208	3,498,746	0	310,393	0	794,931	794,931	0
Sewer	5,555,950	5,324,113	6,983	1,364,942	0	1,140,088	1,140,088	0
Parking Meter	212,886	184,918	0	0	0	(27,968)	(27,968)	0
Transit Center Management	344,833	318,583	0	0	0	(26,250)	(26,250)	0
Total Business-type Activities	9,127,877	9,326,360	6,983	1,675,335	0	1,880,801	1,880,801	0
Total Primary Government	\$ 30,151,008	\$ 10,457,407	\$ 778,230	\$ 2,979,008	(17,817,164)	1,880,801	(15,936,363)	0
Component Unit:								
Rutland Redevelopment Authority	\$ 553,249	\$ 180,000	\$ 6,500	\$ 0	0	0	0	(366,749)
Total Component Unit	\$ 553,249	\$ 180,000	\$ 6,500	\$ 0	0	0	0	(366,749)
General Revenues:								
Property Taxes					15,884,681	0	15,884,681	280,286
Penalties and Interest on Delinquent Taxes					155,485	0	155,485	0
Rooms, Meals and Entertainment Taxes					534,564	0	534,564	0
Payments in Lieu of Taxes					611,609	0	611,609	0
Unrestricted Investment Earnings					51,593	13,627	65,220	488
Insurance Proceeds					95,798	11,658	107,456	0
Timber Sales					0	35,835	35,835	0
Other Revenues					9,936	0	9,936	0
Total General Revenues					17,343,666	61,120	17,404,786	280,774
Change in Net Position					(473,498)	1,941,921	1,468,423	(85,975)
Net Position - July 1, 2017, As Restated					22,464,246	25,769,268	48,233,514	187,619
Net Position - June 30, 2018					\$ 21,990,748	\$ 27,711,189	\$ 49,701,937	\$ 101,644

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

CITY OF RUTLAND, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 3,914,221	\$ 1,866,021	\$ 5,780,242
Restricted Cash	0	156,263	156,263
Investments	0	249,396	249,396
Receivables (Net of Allowance for Uncollectibles)	2,181,111	22	2,181,133
Loans Receivable (Net of Allowance for Uncollectibles)	114,785	0	114,785
Due from Other Funds	481,889	29,040	510,929
Due from Component Unit	73,713	0	73,713
Prepaid Expenses	182,490	0	182,490
Inventory	56,765	0	56,765
<b>Total Assets</b>	<b>\$ 7,004,974</b>	<b>\$ 2,300,742</b>	<b>\$ 9,305,716</b>
<u>LIABILITIES</u>			
Accounts Payable	\$ 390,037	\$ 32,348	\$ 422,385
Accrued Payroll and Benefits Payable	527,417	0	527,417
Due to Other Funds	0	397,654	397,654
Due to Others	8,000	0	8,000
Unearned Revenue	88,781	0	88,781
Tax Sale Overpayments	92,408	0	92,408
<b>Total Liabilities</b>	<b>1,106,643</b>	<b>430,002</b>	<b>1,536,645</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	15,748	0	15,748
Unavailable Property Taxes, Penalties, Interest and Related Fees	1,251,278	0	1,251,278
Unavailable Miscellaneous Fees	79,551	0	79,551
Unavailable Impact Fees	498,421	0	498,421
Unavailable Loans Receivable	114,785	0	114,785
<b>Total Deferred Inflows of Resources</b>	<b>1,959,783</b>	<b>0</b>	<b>1,959,783</b>
<u>FUND BALANCES</u>			
Nonspendable	239,255	0	239,255
Restricted	322,620	1,593,432	1,916,052
Committed	0	16,045	16,045
Assigned	1,823,022	261,263	2,084,285
Unassigned	1,553,651	0	1,553,651
<b>Total Fund Balances</b>	<b>3,938,548</b>	<b>1,870,740</b>	<b>5,809,288</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,004,974</b>	<b>\$ 2,300,742</b>	
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.			45,091,793
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			1,944,035
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.			(33,058,007)
Deferred Outflows of Resources related to the City's OPEB Plan are applicable to Future Periods and, Therefore, are not Reported in the Funds.			2,311,192
Deferred Outflows and Inflows of Resources related to the City's Pension Plan and it's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.			(107,553)
<b>Net Position of Governmental Activities</b>			<b>\$ 21,990,748</b>

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, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 15,854,133	\$ 0	\$ 15,854,133
Penalties and Interest on Delinquent Taxes	155,485	0	155,485
Rooms, Meals and Entertainment Taxes	534,564	0	534,564
Payments in Lieu of Taxes	611,609	0	611,609
Intergovernmental	2,048,518	0	2,048,518
Charges for Services	2,076,812	102,500	2,179,312
Permits, Licenses and Fees	349,976	63,265	413,241
Fines and Forfeits	16,655	0	16,655
Loan Repayments	40,319	0	40,319
Loan Interest Income	1,682	0	1,682
Investment Income	22,581	29,012	51,593
Donations	59,939	45,147	105,086
Other	14,961	1,550	16,511
	<u>21,787,234</u>	<u>241,474</u>	<u>22,028,708</u>
Total Revenues			
Expenditures:			
General Government	3,035,158	9,353	3,044,511
Public Safety	9,800,829	12,465	9,813,294
Public Works	3,917,223	3,016	3,920,239
Culture and Recreation	2,269,828	74,176	2,344,004
Community Development	693,742	50,000	743,742
Capital Outlay:			
General Government	125,209	0	125,209
Public Safety	48,294	634,675	682,969
Public Works	1,479,941	46,792	1,526,733
Culture and Recreation	99,613	2,308,539	2,408,152
Community Development	1,318,489	0	1,318,489
Debt Service:			
Principal	462,214	78,516	540,730
Interest	128,986	3,842	132,828
	<u>23,379,526</u>	<u>3,221,374</u>	<u>26,600,900</u>
Total Expenditures			
Excess/(Deficiency) of Revenues			
Over Expenditures	<u>(1,592,292)</u>	<u>(2,979,900)</u>	<u>(4,572,192)</u>
Other Financing Sources/(Uses):			
Insurance Proceeds	95,798	0	95,798
Proceeds from Long-term Debt	233,137	84,563	317,700
Proceeds from Sale of Land	22,000	0	22,000
Transfers In	375,284	232,312	607,596
Transfers Out	<u>(232,312)</u>	<u>(375,284)</u>	<u>(607,596)</u>
	<u>493,907</u>	<u>(58,409)</u>	<u>435,498</u>
Total Other Financing Sources/(Uses)			
Net Change in Fund Balances	(1,098,385)	(3,038,309)	(4,136,694)
Fund Balances - July 1, 2017	<u>5,036,933</u>	<u>4,909,049</u>	<u>9,945,982</u>
Fund Balances - June 30, 2018	<u>\$ 3,938,548</u>	<u>\$ 1,870,740</u>	<u>\$ 5,809,288</u>

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, 2018

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)	\$ (4,136,694)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$6,061,552) is allocated over their estimated useful lives and reported as depreciation expense (\$2,101,052). This is the amount by which capital outlays exceeded depreciation in the current period.	3,960,500
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(140,141)
The issuance of long-term debt (\$317,700) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$540,730) 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.	223,030
The issuance of loans receivable (\$120,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$40,319) 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 \$90,000 of loans receivable.	(10,319)
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.	(233,170)
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.	177,625
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(100,130)
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>(214,199)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (473,498)</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, 2018

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
<b>ASSETS</b>					
Current Assets:					
Cash	\$ 1,481,348	\$ 1,193,788	\$ 131,158	\$ 0	\$ 2,806,294
Receivables (Net of Allowance for Uncollectibles)	1,422,102	1,911,650	54,906	78,072	3,466,730
Due from Other Funds	0	82,028	234	0	82,262
Prepaid Expenses	13,905	17,895	4,428	0	36,228
Inventory	62,158	28,411	0	0	90,569
Total Current Assets	<u>2,979,513</u>	<u>3,233,772</u>	<u>190,726</u>	<u>78,072</u>	<u>6,482,083</u>
Noncurrent Assets:					
Capital Assets:					
Land	2,817,569	49,360	177,000	0	3,043,929
Construction in Progress	155,998	163,225	0	0	319,223
Land Improvements	145,946	0	35,825	0	181,771
Vehicles, Machinery and Equipment	3,042,815	3,365,830	413,022	243,983	7,065,650
Buildings, Distribution and Collection Systems	18,692,823	33,171,823	0	0	51,864,646
Less: Accumulated Depreciation	<u>(8,746,525)</u>	<u>(14,627,020)</u>	<u>(364,944)</u>	<u>(76,191)</u>	<u>(23,814,680)</u>
Total Noncurrent Assets	<u>16,108,626</u>	<u>22,123,218</u>	<u>260,903</u>	<u>167,792</u>	<u>38,660,539</u>
Total Assets	<u>19,088,139</u>	<u>25,356,990</u>	<u>451,629</u>	<u>245,864</u>	<u>45,142,622</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	147,330	187,065	165,084	0	499,479
Deferred Outflows of Resources Related to the City's Participation in VMERS	51,914	31,275	0	0	83,189
Deferred Outflows of Resources Related to the City's Pension Plan	288,338	720,616	48,741	0	1,057,695
Total Deferred Outflows of Resources	<u>487,582</u>	<u>938,956</u>	<u>213,825</u>	<u>0</u>	<u>1,640,363</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	142,644	88,811	1,837	21,507	254,799
Accrued Payroll and Benefits Payable	13,480	33,148	1,354	0	47,982
Due to Other Funds	61,037	0	0	132,227	193,264
Due to Others	4,230	7,760	0	0	11,990
Unearned Revenue	11,175	2,808	0	0	13,983
Accrued Interest Payable	25,394	30,329	0	0	55,723
General Obligation Bonds Payable - Current Portion	227,437	438,889	0	0	666,326
Notes Payable - Current Portion	<u>450,000</u>	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>600,000</u>
Total Current Liabilities	<u>935,397</u>	<u>751,745</u>	<u>3,191</u>	<u>153,734</u>	<u>1,844,067</u>
Noncurrent Liabilities:					
Compensated Absences Payable	130,441	250,179	11,923	0	392,543
Other Postemployment Benefits Payable	542,076	669,891	534,736	0	1,746,703
Net Pension Liability - VMERS	67,922	40,918	0	0	108,840
Net Pension Liability - City's Pension Plan	1,305,556	3,262,860	220,686	0	4,789,102
General Obligation Bonds Payable - Noncurrent Portion	2,173,195	5,958,799	0	0	8,131,994
Notes Payable - Noncurrent Portion	<u>450,000</u>	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>600,000</u>
Total Noncurrent Liabilities	<u>4,669,190</u>	<u>10,332,647</u>	<u>767,345</u>	<u>0</u>	<u>15,769,182</u>
Total Liabilities	<u>5,604,587</u>	<u>11,084,392</u>	<u>770,536</u>	<u>153,734</u>	<u>17,613,249</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources Related to the City's Participation in VMERS	1,681	1,013	0	0	2,694
Deferred Inflows of Resources Related to the City's Pension Plan	396,880	991,886	67,087	0	1,455,853
Total Deferred Inflows of Resources	<u>398,561</u>	<u>992,899</u>	<u>67,087</u>	<u>0</u>	<u>1,458,547</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	13,707,994	15,725,530	260,903	167,792	29,862,219
Unrestricted/(Deficit)	<u>(135,421)</u>	<u>(1,506,875)</u>	<u>(433,072)</u>	<u>(75,662)</u>	<u>(2,151,030)</u>
Total Net Position/(Deficit)	<u>\$ 13,572,573</u>	<u>\$ 14,218,655</u>	<u>\$ (172,169)</u>	<u>\$ 92,130</u>	<u>\$ 27,711,189</u>

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, 2018

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
Operating Revenues:					
Charges for Services	\$ 3,462,949	\$ 5,270,722	\$ 184,918	\$ 318,583	\$ 9,237,172
Penalties and Interest	33,222	49,548	0	0	82,770
Other Income	2,575	3,843	0	0	6,418
<b>Total Operating Revenues</b>	<b>3,498,746</b>	<b>5,324,113</b>	<b>184,918</b>	<b>318,583</b>	<b>9,326,360</b>
Operating Expenses:					
Salaries and Benefits	1,101,626	2,160,931	159,357	0	3,421,914
Administrative Fees	709,712	709,712	15,000	0	1,434,424
Utilities	47,407	377,457	0	0	424,864
Taxes	57,300	0	0	0	57,300
Insurances	146,983	202,242	0	0	349,225
Dues and Fees	50,151	12,895	2,807	0	65,853
Technology	0	0	6,500	0	6,500
Telephone and Internet	7,530	9,506	434	0	17,470
Supplies	139,157	94,892	4,202	0	238,251
Machinery and Equipment	14,387	55,352	104	0	69,843
Repairs and Maintenance	89,746	239,516	18	0	329,280
Professional Services	22,217	79,561	7,470	320,435	429,683
Chemicals	54,606	131,970	0	0	186,576
Real Estate Lease	0	5,700	4,200	0	9,900
Sludge Disposal	0	533,669	0	0	533,669
Miscellaneous	12,637	13,384	0	0	26,021
Depreciation	462,319	771,587	12,794	24,398	1,271,098
<b>Total Operating Expenses</b>	<b>2,915,778</b>	<b>5,398,374</b>	<b>212,886</b>	<b>344,833</b>	<b>8,871,871</b>
Operating Income/(Loss)	582,968	(74,261)	(27,968)	(26,250)	454,489
Non-Operating Revenues/(Expenses):					
Insurance Proceeds	11,658	0	0	0	11,658
Timber Sales	35,835	0	0	0	35,835
Investment Income	10,225	3,402	0	0	13,627
Hazard Mitigation Grant Income	0	6,983	0	0	6,983
Hazard Mitigation Grant Expenses	0	(10,000)	0	0	(10,000)
Interest Expense	(98,430)	(147,576)	0	0	(246,006)
<b>Total Non-Operating Revenues/(Expenses)</b>	<b>(40,712)</b>	<b>(147,191)</b>	<b>0</b>	<b>0</b>	<b>(187,903)</b>
Net Income/(Loss) Before Capital Contributions	542,256	(221,452)	(27,968)	(26,250)	266,586
Capital Contributions	310,393	1,364,942	0	0	1,675,335
Change in Net Position	852,649	1,143,490	(27,968)	(26,250)	1,941,921
Net Position/(Deficit) - July 1, 2017, As Restated	12,719,924	13,075,165	(144,201)	118,380	25,769,268
Net Position/(Deficit) - June 30, 2018	<u>\$ 13,572,573</u>	<u>\$ 14,218,655</u>	<u>\$ (172,169)</u>	<u>\$ 92,130</u>	<u>\$ 27,711,189</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, 2018

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
<b>Cash Flows From Operating Activities:</b>					
Receipts from Customers and Users	\$ 3,465,187	\$ 5,263,239	\$ 174,168	\$ 495,366	\$ 9,397,960
Payments for Goods and Services	(594,404)	(1,536,598)	(27,280)	(332,544)	(2,490,826)
Payments for Interfund Services	(709,712)	(709,712)	(15,000)	0	(1,434,424)
Payments for Wages and Benefits	(900,927)	(1,644,112)	(144,006)	0	(2,689,045)
Net Cash Provided/(Used) by Operating Activities	<u>1,260,144</u>	<u>1,372,817</u>	<u>(12,118)</u>	<u>162,822</u>	<u>2,783,665</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Insurance Proceeds	11,658	0	0	0	11,658
Proceeds from Timber Sales	35,835	0	0	0	35,835
Hazard Mitigation Grant Income	0	6,983	0	0	6,983
Hazard Mitigation Grant Expenses	0	(10,000)	0	0	(10,000)
Decrease/(Increase) in Due from Other Funds	11,089	(82,028)	(234)	0	(71,173)
(Decrease)/Increase in Due to Other Funds	<u>61,037</u>	<u>(32,906)</u>	<u>0</u>	<u>(150,650)</u>	<u>(122,519)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>119,619</u>	<u>(117,951)</u>	<u>(234)</u>	<u>(150,650)</u>	<u>(149,216)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Proceeds from Long-term Debt	824,731	59,398	0	0	884,129
Proceeds from Capital Grants	0	138,368	0	0	138,368
Acquisition and Construction of Capital Assets	(1,381,178)	(672,893)	0	(12,172)	(2,066,243)
Principal Paid on Long-term Debt	(647,611)	(562,779)	0	0	(1,210,390)
Interest Paid on Long-term Debt	<u>(100,139)</u>	<u>(128,998)</u>	<u>0</u>	<u>0</u>	<u>(229,137)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(1,304,197)</u>	<u>(1,166,904)</u>	<u>0</u>	<u>(12,172)</u>	<u>(2,483,273)</u>
<b>Cash Flows From Investing Activities:</b>					
Receipt of Interest and Dividends	<u>10,225</u>	<u>3,402</u>	<u>0</u>	<u>0</u>	<u>13,627</u>
Net Cash Provided by Investing Activities	<u>10,225</u>	<u>3,402</u>	<u>0</u>	<u>0</u>	<u>13,627</u>
Net Increase/(Decrease) in Cash	85,791	91,364	(12,352)	0	164,803
Cash - July 1, 2017	<u>1,395,557</u>	<u>1,102,424</u>	<u>143,510</u>	<u>0</u>	<u>2,641,491</u>
Cash - June 30, 2018	<u>\$ 1,481,348</u>	<u>\$ 1,193,788</u>	<u>\$ 131,158</u>	<u>\$ 0</u>	<u>\$ 2,806,294</u>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:</b>					
Operating Income/(Loss)	\$ 582,968	\$ (74,261)	\$ (27,968)	\$ (26,250)	\$ 454,489
Depreciation	462,319	771,587	12,794	24,398	1,271,098
(Increase)/Decrease in Receivables	(34,773)	(61,742)	(10,750)	176,783	69,518
(Increase)/Decrease in Prepaid Expenses	32,954	209,982	(3,078)	0	239,858
(Increase)/Decrease in Inventory	44,181	8,154	0	0	52,335
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	(147,330)	(187,065)	(165,084)	0	(499,479)
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Participation in VMERS	1,859	(8,014)	0	0	(6,155)
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Pension Plan	727	(9,808)	193	0	(8,888)
Increase/(Decrease) in Accounts Payable	(33,648)	(6,350)	1,533	(12,109)	(50,574)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(495)	7,991	(2,220)	0	5,276
Increase/(Decrease) in Due to Others	4,230	7,760	0	0	11,990
Increase/(Decrease) in Unearned Revenue	1,214	868	0	0	2,082
Increase/(Decrease) in Compensated Absences Payable	11,648	21,303	(42)	0	32,909
Increase/(Decrease) in Other Postemployment Benefits Payable	154,736	189,055	154,074	0	497,865
Increase/(Decrease) in Net Pension Liability - VMERS	7,430	14,750	0	0	22,180
Increase/(Decrease) in Net Pension Liability - City's Pension Plan	46,925	167,902	7,619	0	222,446
Increase/(Decrease) in Deferred Inflows of Resources Related to the City's Participation in VMERS	1,681	1,013	0	0	2,694
Increase/(Decrease) in Deferred Inflows of Resources Related to the City's Pension Plan	<u>123,518</u>	<u>319,692</u>	<u>20,811</u>	<u>0</u>	<u>464,021</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,260,144</u>	<u>\$ 1,372,817</u>	<u>\$ (12,118)</u>	<u>\$ 162,822</u>	<u>\$ 2,783,665</u>

The Water Fund recognized a forgiveness of debt from the State of Vermont in the amounts of \$310,393.

There was \$416,261 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2017.

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

The Sewer Fund recognized a forgiveness of debt from the State of Vermont in the amounts of \$1,286,342.

There was \$28,356 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2017.

There was \$12,172 of capital acquisitions in the Transit Center Management Fund included in accounts payable at June 30, 2017.

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

<u>ASSETS</u>	Pension Trust Fund	Private-Purpose Trust Funds
Cash and Cash Equivalents	\$ 0	\$ 64,850
Investments	87,254,168	372,189
Receivables - Employer and Employees	370,305	0
Total Assets	87,624,473	437,039
 <u>LIABILITIES</u>		
Liabilities:		
Due to Other funds	0	2,273
Total Liabilities	0	2,273
 <u>NET POSITION</u>		
Restricted:		
Held in Trust For:		
Employees' Pension Benefits	87,624,473	0
Other Purposes	0	434,766
Total Net Position	\$ 87,624,473	\$ 434,766

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, 2018

	Pension Trust Fund	Private-Purpose Trust Funds
	<u>                    </u>	<u>                    </u>
Additions:		
Employer Contributions	\$ 3,630,691	\$ 0
Employee Contributions	1,392,422	0
Investment Income	6,537,405	44,313
Donations	0	800
	<u>                    </u>	<u>                    </u>
Total Additions	<u>11,560,518</u>	<u>45,113</u>
Deductions:		
Benefits - Pension	6,189,879	0
Administrative Expenses	61,409	0
Music Programs	0	4,207
Scholarships	0	2,000
Miscellaneous	0	343
	<u>                    </u>	<u>                    </u>
Total Deductions	<u>6,251,288</u>	<u>6,550</u>
Change in Net Position	5,309,230	38,563
Net Position - July 1, 2017	<u>82,315,243</u>	<u>396,203</u>
Net Position - June 30, 2018	<u>\$ 87,624,473</u>	<u>\$ 434,766</u>

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

CITY OF RUTLAND, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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, 2018

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, 2018

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, 2018

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

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, 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. New Pronouncement – Postemployment Benefits Other Than Pensions**

Effective June 30, 2018, the City implemented GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This Statement replaces requirements of GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, and specifies the required approach to measuring the OPEB liability of employers for benefits provided through the OPEB plan. This Statement requires employers to record a net OPEB liability measured as the total OPEB liability, as of a determined date, less the amount of the OPEB plan's fiduciary net position.

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**G. 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.

**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 and Prepaid Expenses**

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.

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

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## **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.

## **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:

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	<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

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.

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**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.

**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 if made after the measurement date, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the City's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

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Other post-employment benefit related differences arise because governmental funds report the current year's employer benefit payments as current period expenditures if made after the measurement date, whereas government-wide statements report those transactions as deferred outflows of resources. 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.

### **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 Town 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 Zambias Impact Fee Fund, the Special Business Revolving Loan Fund and the Business Incentive Program Fund activity that is included with the General Fund.

#### **B. Budgeted Deficit**

The City budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$1,083,359 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, 2018, expenditures in the General Fund exceeded appropriations by \$2,463,688. 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.

#### **E. Restatement of Net Position**

Effective June 30, 2018, the City implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Statement replaces requirements of GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", and specifies the required approach to measuring the OPEB liability of employers for benefits provided through the OPEB plan. This Statement requires employers to record a net OPEB liability measured as the total OPEB liability, as of a determined date, less the amount of the OPEB plan's fiduciary net position.

As a result of adopting this new accounting principle, the net position of the governmental activities and business-type activities were restated as follows:

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	Governmental Activities	Business-type Activities
Net Position - June 30, 2017, As Originally Reported	\$ 24,793,110	\$ 25,836,118
Implementation of GASB Statement No. 75	(2,328,864)	(66,850)
Net Position - June 30, 2017, As Restated	\$ 22,464,246	\$ 25,769,268

As a result of adopting this new accounting principle, the net position of the proprietary funds were restated as follows:

	Proprietary Funds				
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
Net Position - June 30, 2017, As Originally Reported	\$ 12,616,482	\$ 13,026,676	\$ 74,580	\$ 118,380	\$ 25,836,118
Implementation of GASB Statement No. 75	103,442	48,489	(218,781)	0	(66,850)
Net Position/(Deficit) - June 30, 2017, As Restated	\$ 12,719,924	\$ 13,075,165	\$ (144,201)	\$ 118,380	\$ 25,769,268

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Cash and Investments

The City's cash and investments as of June 30, 2018 consisted of the following:

###### Restricted Cash:

Money Market Mutual Funds – U.S. Government Securities	\$ <u>156,263</u>
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###### Unrestricted Cash:

Deposits with Financial Institutions	8,788,801
Deposits with Investment Company	455
Money Market Mutual Funds – U.S. Government Securities	34,145
Cash on Hand	<u>2,811</u>

Total Unrestricted Cash	<u>8,826,212</u>
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Total Cash	<u>8,982,475</u>
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Investments:

Certificate of Deposit	\$ 249,396
Corporate Bonds	23,813
Common Stock	278,920
Preferred Stock	17,528
Mutual Funds – Mixed Holdings	80,258,837
Annuity Contract	<u>7,047,259</u>
 Total Investments	 <u>87,875,753</u>
 Total Cash and Investments	 <u>\$96,858,228</u>

The City had one (1) certificate of deposit with Heritage Family Credit Union in the amount of \$249,396 with an interest rate of 1.35% and maturity date of August 21, 2018.

**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, corporate bonds, common stock, preferred stock 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 certificate of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 674,703	\$ 674,703
Uninsured, Collateralized by Money Market Mutual Fund Consisting of U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	4,055,251	4,055,251
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	2,940,667	2,940,667
Insured by Letter of Credit Issued by Federal Home Loan Bank	<u>1,368,031</u>	<u>2,147,724</u>
 Total	 <u>\$9,038,652</u>	 <u>\$9,818,345</u>

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

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The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$8,788,801
Cash – Deposits with Investment Company	455
Investments – Certificate of Deposit	<u>249,396</u>
Total	<u>\$9,038,652</u>

The Rutland Redevelopment Authority had deposits with financial institutions with a book and bank balance of \$174,826 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 certificate of deposit, common stock, 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 are shown at their actual maturity.

Investment Type	Remaining Maturity 5 to 10 Years
Corporate Bonds	\$ <u>23,813</u>

**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 certificate of deposit, common stock, preferred stock 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 June 30, 2018
Corporate Bonds	\$ <u>BBB</u> <u>23,813</u>

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**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 certificate of deposit, common stock and preferred stock 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 \$7,047,259 (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.

The City has the following fair value measurements as of June 30, 2018:

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)
Corporate Bonds	\$ 23,813	\$ 23,813	\$ 0	\$ 0
Common Stock	278,920	278,920	0	0
Preferred Stock	17,528	17,528		
Mutual Funds - Mixed Holdings	80,258,837	80,258,837	0	0
Total	\$ 80,579,098	\$ 80,579,098	\$ 0	\$ 0

**Restricted Cash**

In 2016, the City received a \$1 million bond from the Vermont Municipal Bond Bank for bridge projects. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond. The amount restricted as of June 30, 2018 is \$66,909.

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In 2017, the City received a \$2.5 million bond from the Vermont Municipal Bond Bank for White's Park pool construction. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond. The amount restricted as of June 30, 2018 is \$89,354

Total restricted cash as of June 30, 2018 is \$156,263.

**B. Receivables**

Receivables as of June 30, 2018, 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	\$ 1,195,190	\$ 0	\$ 1,195,190
Penalties, Interest and Related Fees Receivable	363,121	0	363,121
Tax Sale Receivable	38,644	1,528	40,172
Bankruptcy Receivable	31,915	13,474	45,389
Rooms, Meals and Entertainment Taxes Receivable	31,271	0	31,271
Impact Fees Receivable	498,421	0	498,421
Parking Tickets Receivable	0	486,849	486,849
Grants Receivable	145,012	0	145,012
Accounts Receivable	84,830	8,375	93,205
Due from State of Vermont	0	78,072	78,072
Billed Services	0	2,418,791	2,418,791
Unbilled Services	0	894,000	894,000
Allowance for Doubtful Accounts - Taxes	(207,271)	0	(207,271)
Allowance for Doubtful Accounts - Parking Tickets	0	(434,359)	(434,359)
 Total	 <u>\$ 2,181,133</u>	 <u>\$ 3,466,730</u>	 <u>\$ 5,647,863</u>

The Rutland Redevelopment Authority had \$3,149 of miscellaneous receivables as of June 30, 2018.

**C. Loans Receivable**

Loans receivable as of June 30, 2018 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
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	83,633
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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	50,000
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Loans Receivable, 4 Business Incentive Loans, Forgivable in Three Years from the Effective Date Upon Completion of Certain Investments by the Borrower, Secured by Personal Guarantee	40,000
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Loans Receivable, 10 Business Loans, Monthly Principal and Interest Payments, Interest Rates Ranging from 0% to 2%, Various Due Dates, Secured by Business Assets	<u>114,785</u>
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Total	2,065,618
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Less: Allowance for Doubtful Loans Receivable	(1,950,833)
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Reported Value as of June 30, 2018	\$ <u>114,785</u>
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The Rutland Redevelopment Authority had the following loan receivable as of June 30, 2018:

Loan Receivable, Business Incentive Loan, Forgivable in Three Years from the Effective Date Upon Completion of Certain Investments by the Borrower, Secured by Personal Guarantee	\$10,000
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Less: Allowance for Doubtful Loan Receivable	(10,000)
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Reported Value as of June 30, 2018	\$ <u>0</u>
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**D. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 4,533,559	\$ 166,868	\$ 140,141	\$ 4,560,286
Construction in Progress	<u>1,116,682</u>	<u>4,177,332</u>	<u>4,874,214</u>	<u>419,800</u>
Total Capital Assets, Not Being Depreciated	<u>5,650,241</u>	<u>4,344,200</u>	<u>5,014,355</u>	<u>4,980,086</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,384,938	1,689,151	0	4,074,089
Buildings and Building Improvements	7,640,143	2,581,920	0	10,222,063
Vehicles, Machinery and Equipment	10,392,307	1,087,417	86,037	11,393,687
Infrastructure	<u>59,461,524</u>	<u>1,233,078</u>	<u>0</u>	<u>60,694,602</u>
Totals	<u>79,878,912</u>	<u>6,591,566</u>	<u>86,037</u>	<u>86,384,441</u>
Less Accumulated Depreciation for:				
Land Improvements	855,581	136,587	0	992,168
Buildings and Building Improvements	3,540,083	210,148	0	3,750,231
Vehicles, Machinery and Equipment	7,161,462	553,917	86,037	7,629,342
Infrastructure	<u>32,700,593</u>	<u>1,200,400</u>	<u>0</u>	<u>33,900,993</u>
Totals	<u>44,257,719</u>	<u>2,101,052</u>	<u>86,037</u>	<u>46,272,734</u>
Total Capital Assets, Being Depreciated	<u>35,621,193</u>	<u>4,490,514</u>	<u>0</u>	<u>40,111,707</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,271,434</u>	<u>\$ 8,834,714</u>	<u>\$ 5,014,355</u>	<u>\$ 45,091,793</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,043,929	\$ 0	\$ 0	\$ 3,043,929
Construction in Progress	<u>801,790</u>	<u>721,833</u>	<u>1,204,400</u>	<u>319,223</u>
Total Capital Assets, Not Being Depreciated	<u>3,845,719</u>	<u>721,833</u>	<u>1,204,400</u>	<u>3,363,152</u>
Capital Assets, Being Depreciated:				
Land Improvements	35,825	145,946	0	181,771
Vehicles, Machinery and Equipment	6,464,680	690,967	89,997	7,065,650
Buildings, Distribution and Collection Systems	<u>50,506,674</u>	<u>1,357,972</u>	<u>0</u>	<u>51,864,646</u>
Totals	<u>57,007,179</u>	<u>2,194,885</u>	<u>89,997</u>	<u>59,112,067</u>
Less Accumulated Depreciation for:				
Land Improvements	15,524	9,370	0	24,894
Vehicles, Machinery and Equipment	4,514,050	268,717	89,997	4,692,770
Buildings, Distribution and Collection Systems	<u>18,104,005</u>	<u>993,011</u>	<u>0</u>	<u>19,097,016</u>
Totals	<u>22,633,579</u>	<u>1,271,098</u>	<u>89,997</u>	<u>23,814,680</u>
Total Capital Assets, Being Depreciated	<u>34,373,600</u>	<u>923,787</u>	<u>0</u>	<u>35,297,387</u>
Business-type Activities Capital Assets, Net	<u>\$ 38,219,319</u>	<u>\$ 1,645,620</u>	<u>\$ 1,204,400</u>	<u>\$ 38,660,539</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 48,660	Water	\$ 462,319
Public Safety	289,123	Sewer	771,587
Public Works	1,467,114	Parking Meter	12,794
Culture and Recreation	271,029	Transit Center Management	<u>24,398</u>
Community Development	<u>25,126</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	<u>\$ 2,101,052</u>		<u>\$ 1,271,098</u>

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2018 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 481,889	\$ 0
Non-Major Governmental Funds	29,040	397,654
Water Fund	0	61,037
Sewer Fund	82,028	0
Parking Meter Fund	234	0
Transit Center Management Fund	0	132,227
Private-Purpose Trust Funds	<u>0</u>	<u>2,273</u>
Total	<u>\$ 593,191</u>	<u>\$ 593,191</u>

Interfund transfers during the year ended June 30, 2018 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Equipment Replacement Fund	\$ 120,000	Appropriation
General Fund	Fire Equipment Fund	40,000	Appropriation
General Fund	Bridge Fund	53,168	Transfer Prior Year Bridgework Budget Surplus
General Fund	Sidewalk Fund	19,144	Transfer Prior Year Sidewalk Budget Surplus
Bridge Fund	General Fund	310,525	Fund Capital Project
Sidewalk Fund	General Fund	64,759	Fund Capital Project
General Fund	Business Incentive Program Fund	73,483	* Fund Business Incentive Loan Program
Zamias Impact Fee Fund	General Fund	<u>200,000</u>	* Fund Local Match
Total		<u>\$ 881,079</u>	

\* The transfers from the General Fund to the Business Incentive Program Fund and the Zamias Impact Fee Fund to the General 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.

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**F. Deferred Outflows of Resources**

Deferred outflows of resources in the governmental activities consists of \$23,780 from the difference between the expected and actual experience, \$272,258 from the difference between the projected and actual investment earnings, \$342,290 from changes in assumptions and \$333,504 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 \$277,656 of required employer pension contributions subsequent to the measurement date. It also includes \$143,325 from the difference between the expected and actual experience, \$98,788 from changes in assumptions, \$1,118,460 from the difference between the projected and actual investment earnings and \$2,136,828 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 \$256,945 from the difference between the expected and actual experience and \$1,646,399 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$407,848 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$7,058,081.

Deferred outflows of resources in the business-type activities consists of \$1,585 from the difference between the expected and actual experience, \$18,151 from the difference between the projected and actual investment earnings, \$22,733 from changes in assumptions and \$22,234 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 \$18,486 of required employer pension contributions subsequent to the measurement date. It also includes \$43,345 from the difference between the expected and actual experience, \$29,876 from changes in assumptions, \$338,247 from the difference between the projected and actual investment earnings and \$646,227 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 \$59,101 from the difference between the expected and actual experience and \$378,692 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$61,686 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$1,640,363.

Deferred outflows of resources in the Water Fund consists of \$989 from the difference between the expected and actual experience, \$11,326 from the difference between the projected and actual investment earnings, \$14,189 from changes in assumptions and \$13,874 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 \$11,536 of required employer pension contributions subsequent to the measurement date. It also includes \$11,816 from the difference between the expected and actual experience, \$8,144 from changes in assumptions, \$92,210 from the difference between the projected and actual investment earnings and \$176,168 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 \$18,331 from the difference between the expected and actual experience and \$117,455 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$11,544 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$487,582.

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Deferred outflows of resources in the Sewer Fund consists of \$596 from the difference between the expected and actual experience, \$6,825 from the difference between the projected and actual investment earnings, \$8,544 from changes in assumptions and \$8,360 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 \$6,950 of required employer pension contributions subsequent to the measurement date. It also includes \$29,531 from the difference between the expected and actual experience, \$20,355 from changes in assumptions, \$230,451 from the difference between the projected and actual investment earnings and \$440,279 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 \$22,755 from the difference between the expected and actual experience and \$145,807 from changes in assumptions related to the City's single-employer defined benefit OPEB plan and \$18,503 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$938,956.

Deferred outflows of resources in the Parking Meter Fund consists of \$1,998 from the difference between the expected and actual experience, \$1,377 from changes in assumptions, \$15,586 from the difference between the projected and actual investment earnings and \$29,780 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 \$18,015 from the difference between the expected and actual experience and \$115,430 from changes in assumptions related to the City's other postemployment benefits and \$31,639 of benefit payments subsequent to the measurement date. Total deferred outflows of resources in the Parking Meter Fund is \$213,825.

#### **G. Unearned Revenue**

Unearned revenue in the General Fund consists of \$88,615 of recreation fees and \$166 of grant revenue received in advance. Total unearned revenue in the General Fund is \$88,781.

Unearned revenue in the business-type activities consists of \$13,983 of user fees received in advance.

Unearned revenue in the Water Fund consists of \$11,175 of user fees received in advance.

Unearned revenue in the Sewer Fund consists of \$2,808 of user fees received in advance.

#### **H. Deferred Inflows of Resources**

Deferred inflows of resources in the governmental activities consists of \$15,748 of prepaid property taxes. It also includes \$40,470 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$1,041,670 from the difference between the expected and actual experience, \$1,253,641 from changes in assumptions, \$987,907 from the difference between the projected and actual investment earnings and \$1,530,754 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. Total deferred inflows of resources in the governmental activities is \$4,870,190.

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Deferred inflows of resources in the business-type activities consists of \$2,694 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$315,025 from the difference between the expected and actual experience, \$379,129 from changes in assumptions, \$298,765 from the difference between the projected and actual investment earnings and \$462,934 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. Total deferred inflows of resources in the business-type activities is \$1,458,547.

Deferred inflows of resources in the Water Fund consists of \$1,681 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$85,879 from the difference between the expected and actual experience, \$103,354 from changes in assumptions, \$81,446 from the difference between the projected and actual investment earnings and \$126,201 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. Total deferred inflows of resources in the Water Fund is \$398,561.

Deferred inflows of resources in the Sewer Fund consists of \$1,013 from the difference between the expected and actual experience related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$214,629 from the difference between the expected and actual experience, \$258,304 from changes in assumptions, \$203,552 from the difference between the projected and actual investment earnings and \$315,401 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. Total deferred inflows of resources in the Sewer Fund is \$992,899.

Deferred inflows of resources in the Parking Meter Fund consists of \$14,517 from the difference between the expected and actual experience, \$17,471 from changes in assumptions, \$13,767 from the difference between the projected and actual investment earnings and \$21,332 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. Total deferred inflows of resources in the Parking Meter Fund is \$67,087.

Deferred inflows of resources in the General Fund consists of \$15,748 of prepaid property taxes and \$1,251,278 of delinquent property taxes, penalties, interest and related fees on those taxes, \$79,551 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 \$114,785 of loans receivable. Total deferred inflows of resources in the General Fund is \$1,959,783.

### **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.

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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.

Long-term liabilities outstanding as of June 30, 2018 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	\$ 560,000	\$ 0	\$140,000	\$ 420,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	\$ 231,600	\$ 0	\$ 46,320	\$ 185,280
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	866,658	0	33,333	833,325
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	280,000	0	35,000	245,000
Bond Payable, Vermont Municipal Bond Bank, Bridge Improvements, Principal Payments of \$33,333 Payable on November 1 Annually, Interest Ranging from 0.83% to 4.40% Payable on May 1 and November 1, Due November, 2045	966,667	0	33,333	933,334
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	2,500,000	0	125,000	2,375,000
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	66,889	0	21,852	45,037
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 February, 2019	55,398	0	27,090	28,308

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	\$ 0	\$ 84,563	\$ 29,574	\$ 54,989
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>0</u>	<u>233,137</u>	<u>49,228</u>	<u>183,909</u>
Total Governmental Activities	<u>\$5,527,212</u>	<u>\$317,700</u>	<u>\$540,730</u>	<u>\$5,304,182</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.	\$ 1,350,000	\$ 0	\$ 450,000	\$ 900,000
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	570,000	0	95,000	475,000
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	1,451,390	0	72,004	1,379,386

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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 Improvements, Authorized to \$1,201,393 but Eligible for \$477,528 Principal Forgiveness, Principal Payments of \$24,129 Payable on April 1 Annually Beginning April, 2019, 0% Interest, Due April, 2049. The City Recognized \$310,393 of the Principal Forgiveness during the Year.	\$ 31,908	\$749,283	\$ 310,393	\$ 470,798
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Authorized to \$1,700,000, Principal and Interest Payments of \$34,143 Payable on December 1 Annually Beginning December, 2019, Interest at -3.0%, Due December, 2049. The City Will Recognize Grant Income Annually For the Amount of Forgiven Principal As a Result of Negative Interest.	0	75,448	0	75,448
Capital Lease Payable, KS StateBank Wheeled Excavator, Principal and Interest Payments of \$31,512 Payable on October 17 Annually, Interest at 2.96%, Due and Paid October, 2017	<u>30,607</u>	<u>0</u>	<u>30,607</u>	<u>0</u>
Total Water Fund	<u>3,433,905</u>	<u>824,731</u>	<u>958,004</u>	<u>3,300,632</u>
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.	\$ 450,000	\$ 0	\$ 150,000	\$ 300,000

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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, CSO Construction, Principal Payments of \$160,000 Payable on July 1 Annually, 0% Interest, Due July, 2027	\$ 1,760,000	\$ 0	\$ 160,000	\$1,600,000
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	880,000	0	80,000	800,000
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	362,509	0	20,963	341,546
Bond Payable, State of Vermont Special Environmental Revolving Fund, Stormwater Engineering Project, Authorized to \$5,016,772 but Eligible for \$100,000 Subsidy, Principal and Administrative Fee Payments of \$222,025 Payable on March 1 Annually Beginning March, 2018, 0% Interest, 2% Administrative Fee, Due March, 2037. The City Received a Pollution Control Grant in the amount of \$1,286,342 which was applied to the Outstanding balance during the Year.	4,919,172	0	1,438,158	3,481,014
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>115,730</u>	<u>59,398</u>	<u>0</u>	<u>175,128</u>
Total Sewer Fund	<u>8,487,411</u>	<u>59,398</u>	<u>1,849,121</u>	<u>6,697,688</u>
Total Business-type Activities	<u>\$11,921,316</u>	<u>\$884,129</u>	<u>\$2,807,125</u>	<u>\$9,998,320</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 5,124,925	\$ 0	\$ 377,986	\$ 4,746,939	\$ 377,986
Notes Payable	280,000	0	35,000	245,000	35,000
Capital Leases Payable	122,287	317,700	127,744	312,243	131,586
Compensated Absences Payable	2,488,250	212,514	0	2,700,764	0
Other Postemployment Benefits Payable	5,429,441	2,133,567	0	7,563,008	0
Net Pension Liability - VMERS	1,467,980	166,794	0	1,634,774	0
Net Pension Liability - City's Pension Plan	17,398,983	0	1,563,182	15,835,801	0
<b>Total Governmental Activities</b>					
Long-term Liabilities	<u>\$ 32,311,866</u>	<u>\$ 2,830,575</u>	<u>\$ 2,103,912</u>	<u>\$ 33,038,529</u>	<u>\$ 544,572</u>
<b>Business-type Activities</b>					
General Obligation Bonds Payable	\$ 10,090,709	\$ 884,129	\$ 2,176,518	\$ 8,798,320	\$ 666,326
Notes Payable	1,800,000	0	600,000	1,200,000	600,000
Capital Leases Payable	30,607	0	30,607	0	0
Compensated Absences Payable	359,634	32,909	0	392,543	0
Other Postemployment Benefits Payable	1,248,838	497,865	0	1,746,703	0
Net Pension Liability - VMERS	86,660	22,180	0	108,840	0
Net Pension Liability - City's Pension Plan	4,566,656	222,446	0	4,789,102	0
<b>Total Business-type Activities</b>					
Long-term Liabilities	<u>\$ 18,183,104</u>	<u>\$ 1,659,529</u>	<u>\$ 2,807,125</u>	<u>\$ 17,035,508</u>	<u>\$ 1,266,326</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.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2019	\$ 412,986	\$ 123,366	\$ 131,586	\$ 1,266,326	\$ 196,261
2020	412,986	108,748	102,004	1,237,883	166,391
2021	412,986	117,630	49,228	643,719	136,458
2022	272,986	116,899	49,228	649,696	103,478
2023	226,666	110,906	0	655,816	111,092
2024-2028	1,028,330	471,017	0	2,825,251	398,332
2029-2033	958,330	327,188	0	1,724,049	197,303
2034-2038	833,332	168,127	0	954,275	42,689
2039-2043	333,335	60,658	0	0	0
2044-2046	100,002	6,600	0	0	0
<b>Total</b>	4,991,939	1,611,139	332,046	9,957,015	1,352,004
Less: Imputed Interest	0	0	(19,803)	0	0
Plus: Principal to be Forgiven (To be Converted to Grant)	0	0	0	41,305	0
<b>Total</b>	<u>\$ 4,991,939</u>	<u>\$ 1,611,139</u>	<u>\$ 312,243</u>	<u>\$ 9,998,320</u>	<u>\$ 1,352,004</u>

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**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. However, for 2018, the Board of Aldermen approved maintaining a balance of nine percent (9%).

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

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

The fund balances in the following fund is nonspendable as follows:

Major Fund

General Fund:

Nonspendable Prepaid Expenses	\$182,490
Nonspendable Inventories	<u>56,765</u>
Total Nonspendable Fund Balances	<u>\$239,255</u>

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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)	13,137
Restricted for Drug Forfeiture Expenditures by Agreement (Source of Revenue is Grant Revenue)	166,269
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)	5,412
Restricted for Creek Path Expenditures by Donations (Source of Revenue is Donations)	13,292
Restricted for 62 Cleveland Ave Expenditures by Donations (Source of Revenue is Donations)	10,000
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Bridge Repair Expenditures	60,000
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Sidewalk Expenditures	<u>49,533</u>
Total General Fund	<u>322,620</u>

Non-Major Funds

Special Revenue Funds:

Restricted for Records Preservation Fund Expenses by State Statute (Source of Revenue is Restoration Fees)	111,347
Restricted for Giorgetti Fund Expenses by Trust Agreement (Source of Revenue is Donations)	1,015,982
Restricted for VCDP Loan Fund Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	98,657
Restricted for Recreation Activities Fund Expenses by Donations (Source of Revenue is Donations)	135,608
Restricted for Vietnam Memorial Fund Expenses by Donations (Source of Revenue is Donations)	<u>10,001</u>
Total Special Revenue Funds	<u>1,371,595</u>

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Capital Projects Funds:

Restricted for Bridge Repair Expenditures by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	\$ 66,909
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Bridge Repair Expenditures	62,317
Restricted for White’s Park Pool Construction by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	82,838
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Sidewalk Expenditures	<u>9,773</u>
Total Capital Projects Funds	<u>221,837</u>
Total Non-Major Funds	<u>1,593,432</u>
Total Restricted Fund Balances	<u>\$1,916,052</u>

The fund balance in the following fund is committed as follows:

Non-Major Fund

Equipment Replacement Fund:

Committed for Equipment Replacement by the Voters	\$ <u>16,045</u>
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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 2019	\$ 250,000
Assigned for Zamas Impact Fees Fund Expenses	147,653
Assigned for Special Business Revolving Loan Fund Expenses	157,421
Assigned for Business Incentive Program Fund Expenses	133,384
Assigned for Police Expenses	12,523
Assigned for Home Depot Rotary Expenditures	40,757
Assigned for Reappraisal Expenses	676,670
Assigned for Paving Expenditures	54,614
Assigned for Fire Department Expenditures	200,000
Assigned for Police Department Expenditures	<u>150,000</u>
Total General Fund	<u>1,823,022</u>

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Non-Major Funds

Capital Projects Funds:	
Assigned for Fire Department Expenditures	\$ 238,738
Assigned for Field Maintenance Expenditures	<u>22,525</u>
Total Non-Major Funds	<u>261,263</u>
Total Assigned Fund Balances	<u>\$2,084,285</u>

**K. Restricted and Designated Net Position**

The restricted net position of the City as of June 30, 2018 consisted of the following:

Governmental Activities:	
Inventories Restricted for Highway Use by Statute	\$ 56,765
Restricted for Whistle Repair Expenditures by Donations	438
Restricted for Lister Education Expenses by State Statute	13,137
Restricted for Drug Forfeiture Expenditures by Agreement	166,269
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	5,412
Restricted for Creek Path Expenditures by Donations	13,292
Restricted for 62 Cleveland Ave Expenditures by Donations	10,000
Restricted for Highway Expenditures by State Statute	181,623
Restricted for Records Preservation Fund Expenses by State Statute	111,347
Restricted for Giorgetti Fund Expenses by Donations	1,015,982
Restricted for VCDP Loan Fund Expenses by Grant Agreements	98,657
Restricted for Recreation Activities Fund Expenses by Donations	135,608
Restricted for Vietnam Memorial Fund Expenses by Donations	<u>10,001</u>
Total Governmental Activities	<u>\$1,823,070</u>

The designated net position of the City as of June 30, 2018 consisted of the following:

Water Fund:	
Designated for Water Capital Expenditures	\$1,406,537
Designated for Water Vehicle Expenditures	56,947
Designations in Excess of Unrestricted Net Position	<u>(1,463,484)</u>
Total Water Fund	<u>\$_____0</u>
Sewer Fund:	
Designated for Sewer Capital Expenditures	\$249,441
Designated for Sewer Vehicle Expenditures	66,659
Designated for CSO Capital Expenditures	318,124
Designations in Excess of Unrestricted Net Position	<u>(634,224)</u>
Total Sewer Fund	<u>\$_____0</u>

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The unrestricted deficit of \$135,421 in the Water Fund will be funded by future rate increases and operational surpluses.

The unrestricted deficit of \$1,506,875 in the Sewer Fund will be funded by future rate increases and operational surpluses.

The unrestricted deficit of \$433,072 in the Parking Meter Fund will be funded by future operational surpluses.

The unrestricted deficit of \$75,662 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, 2018 consisted of the following:

Private-Purpose Trust Funds:

Restricted for Emergency Fuel Expenses by Donations	\$ 17,487
Restricted for M. Garofano Memorial Fund by Donations	10,490
Restricted for Grace Stoolfire Trust Fund by Bequest	<u>406,789</u>
 Total Private-Purpose Trust Funds	 <u>\$434,766</u>

## 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, 2018, the retirement system consisted of 423 participating employers.

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

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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 and Deferred Outflows of Resources**

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the City's proportionate share of this was 1.4392% resulting in a net pension liability of \$1,743,614. The net pension liability was measured as of June 30, 2017, 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. As of June 30, 2018, the City's proportion of 1.4392% was an increase of 0.2312% from the prior year.

For the year ended June 30, 2018, the City recognized pension expense of \$577,564.

As of June 30, 2018, 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	\$ 25,365	\$ 43,164
Difference between projected and actual investment earnings on pension assets	290,409	0
Changes in assumptions	365,023	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	355,738	0
City's required employer contributions made subsequent to the measurement date	296,142	0
	\$ 1,332,677	\$ 43,164

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The deferred outflows of resources resulting from the City's required employer contributions made subsequent to the measurement date in the amount of \$296,142 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>	
2019	\$382,698
2020	475,540
2021	119,375
2022	<u>15,758</u>
Total	<u>\$993,371</u>

**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.

Service Retirement Allowance:

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

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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.

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 – 4.875%. Group C – 10.00%.

Employer Contributions – Group B – 5.50%. Group C – 7.25%.

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, a decrease from 7.95% in the prior year.

Salary increases: 5% per year.

Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

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Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: Groups B and C – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

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, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group 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, 2018 COLA is assumed to be 0.75% 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%, a decrease from 3% in the prior year.

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, 2017 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	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

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Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. 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>
\$3,113,109	\$1,743,614	\$607,840

**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.

**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, members of the Public Works Department to contribute 5.7% of base salary during fiscal year 2018 and 5.9% in future years and general city members to contribute 5.4% of base salary during fiscal year 2018 and 5.5% in future years. The total actuarially determined contribution by the City to the system for 2018 was \$2,264,931 which was computed through an actuarial valuation performed as of January 1, 2018. The actual contribution made by the City to the system for 2018 was \$1,316,141.



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

Year Ending <u>June 30</u>	
2019	\$ (71,508)
2020	(406,778)
2021	(991,517)
2022	(239,535)
2023	<u>(5,391)</u>
Total	<u>\$(1,714,729)</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	Projected Unit Credit
Asset Valuation Method	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
Investment Rate of Return	15.38%
Salary increases	4%
COLA Adjustment	None
Mortality Tables	2018 430(h) Annuitant & Non-Annuitant PBGC Table for Disabled Participants receiving Social Security Benefits

**Summary of Plan Provisions**

Benefits

Normal Retirement Benefits

Normal Retirement Benefit	Benefit Formula:
	<u>Police:</u> 2% of Final Average Compensation of 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% of Final Average Compensation of each year of credited service, multiplied by 1.17

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DPW: 2% of Final Average Compensation for each year of credited service  
General: 2% of Final Average Compensation for each year of credited service  
IRC415 maximum annual benefit: \$220,000

Compensation Definition      Average of the 5 highest rates of compensation on January 1, in the last 10 years prior to distribution  
Annual salary up to \$270,000 considered

Vested Retirement Benefit      Vesting Schedule:  
Cliff vesting (100% after 5 years)  
Computation period: Plan years  
Based on periods of service rounded to the nearest year

Accrued Retirement Benefit      Units accrued to date

Form of Payment

The normal form of pension is a single life annuity with monthly payments commencing on the member's retirement date.

Early Retirement Benefit

Early Retirement Benefit      Retirement Benefit is reduced for early commencement 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  
Eligibility Requirements:  
Minimum years of service: 10  
Minimum age: 55

Termination Benefit

Termination of Employment      Vested participants will be entitled to the Retirement Benefit calculated as of the date of termination and payable at age 62. A reduced benefit will be available for payments beginning after age 55, in accordance with the Plan's Early Retirement provisions  
Participant may elect a return of employee contributions in lieu of the retirement benefit

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Death Benefit

Pre-Retirement Death Benefit

Non-Service Related:

- (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

Service Related:

- (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

Post-Retirement Death Benefit

Death benefits payable after retirement are payable in accordance with the form of payment option selected by the retiree

Disability Benefit

Disability Benefit

Non-Service Related: No age requirement; 5 years of participation (15 years for General members). Benefit is accrued benefit at date of disability

Service Related: 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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5% percent 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 7.5 percent, as well as what the liability would be if it were calculated using a discount rate that is one percent lower (6.5%) or one percent higher (8.5%):

<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$28,662,285	\$20,624,903	\$13,790,132

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**B. PROPERTY TAXES**

The City is responsible for assessing and collecting its own property taxes, Rutland Redevelopment 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, 2017, taxes became due and payable on August 31, 2017, November 15, 2017, February 15, 2018 and May 15, 2018. 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 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Municipal	0.9815	0.9815
Streets	0.3027	0.3027
Library	0.0710	0.0710
Debt & Pension	0.1956	0.1956
County Tax	0.0076	0.0076
Social Agencies	0.0314	0.0314
Veteran Exemption	0.0034	0.0034
Rutland Redevelopment Authority	0.4951	0.4951
Education	<u>1.4799</u>	<u>1.5579</u>
<b>Total</b>	<u><b>3.5682</b></u>	<u><b>3.6462</b></u>

**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.

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**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.

**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.

The City has implemented GASB Statement No. 75, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” for the fiscal year ending June 30, 2018. This statement replaces the requirements of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. GASB Statement No. 75 requires employers to report their net OPEB liability on their financial statements.

As of June 30, 2017, the last measurement date, there were 272 covered participants, 111 members are retirees (or their spouses) receiving benefits and 161 members are active participants.

**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

	<b>Retiree Share of Premium</b>			<b>Share of Deductible</b>
	<b>% of Premium</b>			
	<b>Health*</b>	<b>Dental</b>	<b>Vision</b>	
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

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Spousal Coverage - Medical, Dental and Vision

<i>Fire:</i>	Spouses eligible for same benefit as retiree through retiree attainment of age 65
<i>Police:</i>	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
<i>Public Works:</i>	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

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, 2018, and for the City's reporting period, the year ended June 30, 2018. 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, 2018, the City has chosen to use the end of the prior fiscal year, June 30, 2017, as the measurement date, and the year ended June 30, 2017 as the measurement period.

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JUNE 30, 2018

**Net OPEB Liabilities**

As of June 30, 2017, the measurement date selected by the City of Rutland, the City reported a net OPEB liability of \$9,309,711. 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, 2017.

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.

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

	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
<b>Balances - June 30, 2016</b>	\$ 6,678,279	\$ 0	\$ 6,678,279
<b>Changes for the Year:</b>			
Service Cost	319,518	0	319,518
Interest on Total OPEB Liability	239,082	0	239,082
Difference between expected and actual experience of the Total OPEB Liability	348,197	0	348,197
Changes of assumptions	2,231,098	0	2,231,098
Contributions - Employer	0	506,463	(506,463)
Benefit Payments	<u>(506,463)</u>	<u>(506,463)</u>	<u>0</u>
<b>Net Changes</b>	<u>2,631,432</u>	<u>0</u>	<u>2,631,432</u>
<b>Balances - June 30, 2017</b>	<u>\$ 9,309,711</u>	<u>\$ 0</u>	<u>\$ 9,309,711</u>
Plan fiduciary net position as a percentage of the total OPEB liability			<u>0.00%</u>

<u>Proportionate Share of the Net OPEB Liability</u>		
	<u>Amount</u>	<u>Proportionate Share</u>
Governmental Activities	\$ 7,563,008	81.3%
Business-type Activities	<u>1,746,703</u>	<u>18.7%</u>
Total Net OPEB Liability	<u>\$ 9,309,711</u>	<u>100.0%</u>

**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.

CITY OF RUTLAND, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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.

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, 2019.

As of June 30, 2018, the City reported deferred outflows of resources from the following sources:

		<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$	316,046
Changes in assumptions		2,025,091
City's benefit payments made subsequent to the measurement date		<u>469,534</u>
Total	\$	<u><u>2,810,671</u></u>

The deferred outflows of resources resulting from the City's benefit payments made subsequent to the measurement date in the amount of \$469,534 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

CITY OF RUTLAND, VERMONT  
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JUNE 30, 2018

Year Ending <u>June 30</u>	
2019	\$ 238,157
2020	238,157
2021	238,157
2022	238,157
2023	238,157
Thereafter	<u>1,150,352</u>
 Total	 <u>\$2,341,137</u>

**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, 2018, is as follows:

Service Cost	\$	319,518
Interest on the Total OPEB Liability		239,082
Recognition of Outflows of Resources due to Liabilities		<u>238,158</u>
<b>Total OPEB Expense</b>	<b>\$</b>	<b><u>796,758</u></b>

**Actuarial Assumptions and Funding Method**

Actuarial Valuation Date:	7/1/2017
Measurement Date for GASB 75 Reporting	6/30/2017
Actuarial Funding Method for developing Actuarial Determined Contribution and measuring GASB 75 OPEB Liability	Entry Age Normal, level % of pay
Amortization of Unfunded Actuarial Accrued Liability	30 year open from Valuation Date level dollar using valuation discount rate
Discount Rate (Selected using Index, as of Measurement Date)	3.58% Bond Buyer 20-Bond GO Index
Mortality	RP-2006 (rates underlying RP-2014), Generational Scale MP-2017, Male and Female (total dataset) for employees and healthy annuitants (combined at age 65)

CITY OF RUTLAND, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

Employee Turnover:	Male Age	Retire Age	Probability of Continued Employment to Retirement	
			Police & General	Public & Fire
Scale T-1 for Fire and Public Works, Scale T-6 for Police and General, sample rates of continued employment to retirement using assumed mortality (males) and turnover are	25 35 45 55	50 50 55 62	19.4% 41.8% 67.2% 91.5%	59.2% 87.3% 97.3% 95.1%
Future Salary Increase (per annum)		4%		

Assumed Retirement Age (but not earlier than date eligibility met or end of current fiscal year)

Fire - Earlier of age 62 or age plus service equal to 85; Police - Earlier of age 62 or age plus service equal to 80; Public Works employees hired prior to 10/1/11 - Earlier of age 62 or 5 years of service (if later) or age plus service equal to 85; Public Works employees hired on or after 10/1/11 - Later of age 62 or 20 years of service; Non-Union – Earlier of age 62 or 5 years of service (if later) or age plus service equal to 80

**Initial Per Capita Claims Costs (annual):**

	Age Band	HDHP	Med VHP	Dental	Vision
HDHP pccc does not include employer funded portion of deductible, valued separately assuming utilization noted below	50-54 55-59 60-64	\$ 9,824 11,966 14,739	\$ 9,872 11,510 13,444	\$ 444 444 444	\$ 91 91 91

**Health Reimbursement Account:**

90% utilization of City's reimbursement (75% \$2,500 Deductible)  
No increase in Deductible assumed

**Medical and Dental Trend:**

Medical Trend developed using SOA Getzen Model (v.2018) using following economic assumptions. Ultimate rate reached in 2040	Year	Medical	Dental	Vision
	2018	0.0%	0.0%	0.0%
	2019	5.4%	1.0%	1.0%
	2020	5.3%	1.0%	1.0%
Rate of Inflation 2.60%	2021	5.2%	1.0%	1.0%
Rate of Growth in Real Income/GDP per Capita 1.15%	2022	5.1%	1.0%	1.0%
Extra Trend due to Technology 1.00%	2025	4.9%	1.0%	1.0%
Health Share of GDP Resistance Point 20%	2030	4.8%	1.0%	1.0%
Year for limiting Cost Growth to GDP Growth 2040	2035	4.2%	1.0%	1.0%
	2040	3.8%	1.0%	1.0%

**40% Excise Tax ("Cadillac Tax")**

The effect of the Excise Tax, effective in 2020, has been estimated assuming unadjusted premiums as "average plan cost". Average cost trended at valuation trend, thresholds at 3% (CPI-U 2.0%, plus 1%)

Threshold applicable in 2020	
1-life	Family
\$ 10,200	\$ 27,500

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 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018

<b>Spousal Coverage at Retirement</b>	Employees with current 2-life or family coverage are assumed to have a covered spouse at retirement
<b>Participation Rates at retirement (Non-Retired Members):</b>	Current medical, dental and vision coverage is assumed to apply in retirement, all retirees assumed to receive life insurance in retirement
<b>Special Disability Benefits</b>	Valued upon incidence of event*

\*Utilization of Special Disability benefit has been close or at 0% since GASB OPEB reporting first applied

**Discount Rate**

The projection of cash flow used to determine the discount rate assumed that the plans contributions would be made at rates equal to the projected benefit payments for the upcoming year. Therefore, the long-term bond rate expected rate of return of 3.58% on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The 3.58% is based on the 20-year Bond Buyer GO index at June 30, 2017. The discount rate used in the prior year was 3.5%

**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 3.58 percent, as well as what the liability would be if it were calculated using a discount rate that is one percent lower (2.58%) or one percent higher (4.58%):

<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
\$9,928,225	\$9,309,711	\$8,752,420

**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>
\$8,614,770	\$9,309,711	\$10,109,964

**Additional Information**

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

CITY OF RUTLAND, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**F. SUBSEQUENT EVENTS**

In July 2018, the City of Rutland entered into a fifteen year lease/purchase in the amount of \$3,072,437 to upgrade the water and sewer metering system to Advanced Metering Infrastructure and provide ongoing customer and billing services.

In March, 2018, voters approved a general obligation note or bond not to exceed \$7,400,000 for the purpose of making municipal sewage system improvements.

In March 2018, voters approved a general obligation note or bond not to exceed \$3,000,000 for the purpose of making public highway improvements, including culvert replacements and bridge repairs.

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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 16,052,690	\$ 15,854,133	\$ (198,557)
Rooms, Meals and Entertainment Taxes	500,000	534,564	34,564
Penalties and Interest	186,300	155,485	(30,815)
Investment Earnings	14,000	21,458	7,458
Payments in Lieu of Taxes	599,353	611,609	12,256
Clerk Fees	172,300	179,342	7,042
Human Resources	3,500	5,025	1,525
Treasurer Fees	146,100	148,288	2,188
Building and Zoning Fees	24,300	24,675	375
Government Building Lease Revenue	57,229	58,181	952
Police Department Fees and Fines	132,000	137,668	5,668
Police Department Insurance Proceeds	0	14,329	14,329
Fire Department Fees	42,500	56,161	13,661
Public Works Fees	0	3,286	3,286
State Highway Aid	216,460	216,462	2
Public Works Sale of Materials	4,500	9,119	4,619
Public Works Miscellaneous Income	0	2,474	2,474
Public Works Insurance Proceeds	0	81,469	81,469
Proceeds from Long-term Debt	0	233,137	233,137
Giorgetti Arena Charges	115,750	110,180	(5,570)
Godnick Center Rental Income	7,100	7,125	25
White Park Charges	33,500	5,346	(28,154)
Recreation Programs Fees	265,370	269,604	4,234
Transfers In - Water/Sewer/Parking Meter Administration	1,422,504	1,434,424	11,920
Transfers In from Other Funds	0	375,284	375,284
Reappraisal Income	0	58,150	58,150
FEMA Reimbursement	0	48,040	48,040
Community Development Grant Income	0	1,282,126	1,282,126
Community Development Contributions	0	139,349	139,349
Community Development Transfer In	0	200,000	200,000
Police Department Grant Income	0	69,006	69,006
Fire Department Grant Income	0	17,105	17,105
Public Works Grant Income	0	259,040	259,040
Recreation Grant Income	0	16,749	16,749
Proceeds from Sale of Land	0	22,000	22,000
Other Income	0	9,936	9,936
Total Revenues	<u>19,995,456</u>	<u>22,670,329</u>	<u>2,674,873</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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Community Development	\$ 180,000	\$ 180,000	\$ 0
Legislative	28,521	31,599	(3,078)
Clerk	415,267	402,261	13,006
Executive	126,095	118,102	7,993
Human Resources	109,500	117,478	(7,978)
Elections	14,457	6,768	7,689
Treasurer	634,232	589,218	45,014
Attorney	185,967	273,856	(87,889)
Assessor	131,520	125,450	6,070
Building and Zoning	446,802	411,520	35,282
Government Buildings	393,751	327,637	66,114
Police Department	5,908,499	5,843,009	65,490
Fire Department	3,556,096	3,459,653	96,443
Public Works Administration	1,077,404	1,008,026	69,378
Public Works Vehicle Maintenance	544,404	603,845	(59,441)
Recreation Administration	535,686	486,993	48,693
Giorgetti Arena	130,809	109,688	21,121
Godnick Center	26,562	23,277	3,285
White Park	30,131	61,227	(31,096)
Recreation Maintenance	804,606	714,831	89,775
Recreation Programs	265,370	241,860	23,510
Miscellaneous	283,425	232,379	51,046
Streets	2,335,926	2,494,935	(159,009)
Traffic and Street Lights	352,500	376,671	(24,171)
Stormwater	95,438	25,220	70,218
Rutland Free Library	717,061	717,061	0
County Tax	77,113	82,852	(5,739)
Transfers Out	160,000	305,795	(145,795)
Debt Service	542,854	734,437	(191,583)
Pension Contribution	651,324	651,324	0
Social Agencies	317,495	317,495	0
HMPG Grant Expenditures	0	47,450	(47,450)
Community Development Grant Project Expenditures	0	1,689,413	(1,689,413)
Police Department Grant Expenditures	0	23,738	(23,738)
Fire Department Grant Expenditures	0	23,257	(23,257)
Public Works Grant Expenditures	0	669,674	(669,674)
Recreation Grant Expenditures	0	14,504	(14,504)
Total Expenditures	<u>21,078,815</u>	<u>23,542,503</u>	<u>(2,463,688)</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ (1,083,359)</u>	(872,174)	<u>\$ 211,185</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, 2018

	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		\$ 1,123	
Zamias Impact Fee Fund Expenses		(51,818)	
Zamias Impact Fee Fund Transfer Out		(200,000)	
Special Business Revolving Loan Fund Income		42,001	
Special Business Revolving Loan Fund Expenses		(30,000)	
Business Incentive Program Fund Expenses		(61,000)	
Business Incentive Program Fund Transfer In		73,483	
Net Change in Fund Balance		(1,098,385)	
Fund Balance - July 1, 2017		5,036,933	
Fund Balance - June 30, 2018		\$ 3,938,548	

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, 2018

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

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2017 valuation date:

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 1.50% to 1.15% for Group A members and from 1.80% to 1.3% for Group B, C and D members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

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

CITY OF RUTLAND, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2018

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

**Notes to Schedule**

Valuation Date: June 30, 2017

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

CITY OF RUTLAND, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PENSION TRUST FUND  
 JUNE 30, 2018

	2018	2017	2016	2015	2014
Total Plan Net Pension Liability	\$ 33,133,722	\$ 38,061,800	\$ 41,526,991	\$ 36,974,390	\$ 33,248,411
Proportion of the Net Pension Liability	62.25%	57.71%	54.55%	53.67%	49.77%
Proportionate Share of the Net Pension Liability	\$ 20,624,903	\$ 21,965,640	\$ 22,651,034	\$ 19,845,756	\$ 16,548,449
City's Covered Employee Payroll	\$ 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	376.67%	370.15%	346.84%	251.18%	219.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.56%	68.38%	64.44%	67.24%	69.08%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions: The mortality table was updated from the 2017 430(h) Annuitant and Non-Annuitant tables to the 2018 430(h) Annuitant and Non-Annuitant tables.

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, 2018

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

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions: The mortality table was updated from the 2017 430(h) Annuitant and Non-Annuitant tables to the 2018 430(h) Annuitant and Non-Annuitant tables.

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, 2018

<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>
2009	\$ 5,388,980	\$ 2,039,388	\$ 3,349,592	\$ 26,389,650	7.73%	N/A
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%

NA - Not Available

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CITY OF RUTLAND, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL  
 OPEB LIABILITY AND RELATED RATIOS  
 JUNE 30, 2018

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 319,518
Interest on the Total OPEB Liability	239,082
Difference between expected and actual experience of the Total OPEB Liability	348,197
Changes of assumptions	2,231,098
Benefit payments	(506,463)
Net Change in Total OPEB Liability	2,631,432
Total OPEB Liability - Beginning of Period	6,678,279
Total OPEB Liability - End of Period	\$ 9,309,711
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	0%
<b>Covered Valuation Payroll</b>	10,067,605
<b>Net OPEB Liability as a Percentage of Covered Valuation Payroll</b>	92.47%

**Notes to Schedule:**

Changes of benefit terms: None

Changes of assumptions:

Funding Method: GASB 75 requires use of Entry Age Normal (EAN) for expenses and disclosures. This method has been used for the Actuarial Determined Contribution as well.

Discount Rate: The discount rate has been set using The Bond Buyer 20-Bond GO Index. The Index rate as of the 6/30/17 measurement date is 3.58%. GASB 75 requires use of "a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher" to the extent that benefits are not being funded by invested assets (e.g. such as pay-as-you-go plans).

Mortality: Mortality is fully generational, using the RP-2006 Table (base rates underlying RP-2014), projected to 2017 and thereafter, with MP-2017 projection scale.

Initial Per Capital Claims Cost: Age adjusted premiums have been used in this valuation, a significant departure from prior methodology, which used unadjusted premiums. The change has been made in light of Actuarial Standards of Practice, which generally require age adjustment - even when premiums are not based on the actual experience of the valuation group. Under the City's health plans, experience is considered in determining premium rates, but the City is part of a larger pooled group of claims experience. Retiree claims experience by age under the pooled group was not available; age adjustments were made using age morbidity factors in Dale Yamamoto's Study *Health Care Costs - From Birth to Death*, published by the SOA in 2013.

Annual Rates of Trend: Medical trend rates were developed using Society of Actuaries (SOA) Long-Run Medical Cost Trend Model (version 2018-c). Dental and vision claims are expected to increase at 1.0% per annum. Year one trend is 0% reflecting no growth or even slight decreases in each benefit premium from 2017 to 2018.

40% excise Tax ("Cadillac Tax"): Allowance for the impact of the Cadillac Tax has been included in the valuation. The tax, part of Health Care Reform, has been delayed for several years, most recently until 2020. Lack of guidance as to how the tax will be determined when (and if) it becomes effective has delayed its inclusion in prior valuations.

Retirement Ages: Assumed retirement ages generally follow the assumptions used in the City's pension plan valuation, which vary for each covered group (Fire, Police, DPW, and General). An exception is for Fire, with the pension assumption modified to be the earlier of age 62 or rule of 85.

Salary Growth: Base salary is assumed to grow at 4.0% per annum. This assumption applies only to active employees when developing the Actuarial Accrued Liability, which GASB 75 requires to be as a level percent of compensation.

Fiscal year 2018 is the first year of implementation, therefore, only one year is shown.



CITY OF RUTLAND, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total
<b>Revenues:</b>			
Charges for Services	\$ 0	\$ 102,500	\$ 102,500
Permits, Licenses and Fees	46,819	16,446	63,265
Investment Income	6,936	22,076	29,012
Donations	45,147	0	45,147
Other	<u>0</u>	<u>1,550</u>	<u>1,550</u>
<b>Total Revenues</b>	<u>98,902</u>	<u>142,572</u>	<u>241,474</u>
<b>Expenditures:</b>			
General Government	9,353	0	9,353
Public Safety	0	12,465	12,465
Public Works	0	3,016	3,016
Culture and Recreation	74,176	0	74,176
Community Development	50,000	0	50,000
Capital Outlay:			
Public Safety	0	634,675	634,675
Public Works	0	46,792	46,792
Culture and Recreation	72,900	2,235,639	2,308,539
Debt Service:			
Principal	0	78,516	78,516
Interest	<u>0</u>	<u>3,842</u>	<u>3,842</u>
<b>Total Expenditures</b>	<u>206,429</u>	<u>3,014,945</u>	<u>3,221,374</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(107,527)</u>	<u>(2,872,373)</u>	<u>(2,979,900)</u>
<b>Other Financing Sources/(Uses):</b>			
Proceeds from Long-term Debt	0	84,563	84,563
Transfers In	0	232,312	232,312
Transfers Out	<u>0</u>	<u>(375,284)</u>	<u>(375,284)</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>0</u>	<u>(58,409)</u>	<u>(58,409)</u>
<b>Net Change in Fund Balances</b>	(107,527)	(2,930,782)	(3,038,309)
Fund Balances - July 1, 2017	<u>1,479,122</u>	<u>3,429,927</u>	<u>4,909,049</u>
Fund Balances - June 30, 2018	<u>\$ 1,371,595</u>	<u>\$ 499,145</u>	<u>\$ 1,870,740</u>

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CITY OF RUTLAND, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2018

	Records Preservation Fund	Giorgetti Fund	VCDP Loan Fund	Recreation Activities Fund	Vietnam Memorial Fund	Total
<b><u>ASSETS</u></b>						
Cash	\$ 109,961	\$ 766,586	\$ 98,657	\$ 145,713	\$ 10,001	\$ 1,130,918
Investments	0	249,396	0	0	0	249,396
Receivables	22	0	0	0	0	22
Due from Other Funds	<u>2,667</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,667</u>
Total Assets	<u>\$ 112,650</u>	<u>\$ 1,015,982</u>	<u>\$ 98,657</u>	<u>\$ 145,713</u>	<u>\$ 10,001</u>	<u>\$ 1,383,003</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts Payable	\$ 1,303	\$ 0	\$ 0	\$ 4,593	\$ 0	\$ 5,896
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,512</u>	<u>0</u>	<u>5,512</u>
Total Liabilities	<u>1,303</u>	<u>0</u>	<u>0</u>	<u>10,105</u>	<u>0</u>	<u>11,408</u>
Fund Balances:						
Restricted	<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>
Total Fund Balances	<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>
Total Liabilities and Fund Balances	<u>\$ 112,650</u>	<u>\$ 1,015,982</u>	<u>\$ 98,657</u>	<u>\$ 145,713</u>	<u>\$ 10,001</u>	<u>\$ 1,383,003</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, 2018

	Records Preservation Fund	Giorgetti Fund	VCDP Loan Fund	Recreation Activities Fund	Vietnam Memorial Fund	Total
<b>Revenues:</b>						
Permits, Licenses and Fees	\$ 20,812	\$ 0	\$ 0	\$ 26,007	\$ 0	\$ 46,819
Investment Income	773	6,123	16	23	1	6,936
Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,147</u>	<u>10,000</u>	<u>45,147</u>
Total Revenues	<u>21,585</u>	<u>6,123</u>	<u>16</u>	<u>61,177</u>	<u>10,001</u>	<u>98,902</u>
<b>Expenditures:</b>						
General Government	9,353	0	0	0	0	9,353
Culture and Recreation	0	3,962	0	70,214	0	74,176
Community Development	0	0	50,000	0	0	50,000
Capital Outlay:						
Culture and Recreation	<u>0</u>	<u>63,900</u>	<u>0</u>	<u>9,000</u>	<u>0</u>	<u>72,900</u>
Total Expenditures	<u>9,353</u>	<u>67,862</u>	<u>50,000</u>	<u>79,214</u>	<u>0</u>	<u>206,429</u>
Net Change in Fund Balances	12,232	(61,739)	(49,984)	(18,037)	10,001	(107,527)
Fund Balances - July 1, 2017	<u>99,115</u>	<u>1,077,721</u>	<u>148,641</u>	<u>153,645</u>	<u>0</u>	<u>1,479,122</u>
Fund Balances - June 30, 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>

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CITY OF RUTLAND, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2018

	Equipment Replacement Fund	Fire Equipment Fund	Bridge Fund	White's Park Fund	Field Maintenance Fund	Sidewalk Fund	Total
<u>ASSETS</u>							
Cash	\$ 14,262	\$ 254,838	\$ 369,556	\$ 0	\$ 21,915	\$ 74,532	\$ 735,103
Restricted Cash	0	0	66,909	89,354	0	0	156,263
Due from Other Funds	<u>25,763</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>610</u>	<u>0</u>	<u>26,373</u>
Total Assets	<u>\$ 40,025</u>	<u>\$ 254,838</u>	<u>\$ 436,465</u>	<u>\$ 89,354</u>	<u>\$ 22,525</u>	<u>\$ 74,532</u>	<u>\$ 917,739</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts Payable	\$ 23,980	\$ 0	\$ 0	\$ 2,472	\$ 0	\$ 0	\$ 26,452
Due to Other Funds	<u>0</u>	<u>16,100</u>	<u>307,239</u>	<u>4,044</u>	<u>0</u>	<u>64,759</u>	<u>392,142</u>
Total Liabilities	<u>23,980</u>	<u>16,100</u>	<u>307,239</u>	<u>6,516</u>	<u>0</u>	<u>64,759</u>	<u>418,594</u>
Fund Balances:							
Restricted	0	0	129,226	82,838	0	9,773	221,837
Committed	16,045	0	0	0	0	0	16,045
Assigned	<u>0</u>	<u>238,738</u>	<u>0</u>	<u>0</u>	<u>22,525</u>	<u>0</u>	<u>261,263</u>
Total Fund Balances	<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>
Total Liabilities and Fund Balances	<u>\$ 40,025</u>	<u>\$ 254,838</u>	<u>\$ 436,465</u>	<u>\$ 89,354</u>	<u>\$ 22,525</u>	<u>\$ 74,532</u>	<u>\$ 917,739</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, 2018

	Equipment Replacement Fund	Fire Equipment Fund	Bridge Fund	White's Park Fund	Field Maintenance Fund	Sidewalk Fund	Total
Revenues:							
Charges for Services	\$ 0	\$ 102,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,500
Permits, Licenses and Fees	0	11,550	0	0	4,896	0	16,446
Investment Income	8	539	2,690	18,825	3	11	22,076
Other	1,550	0	0	0	0	0	1,550
<b>Total Revenues</b>	<b>1,558</b>	<b>114,589</b>	<b>2,690</b>	<b>18,825</b>	<b>4,899</b>	<b>11</b>	<b>142,572</b>
Expenditures:							
Public Safety	12,465	0	0	0	0	0	12,465
Public Works	0	0	3,016	0	0	0	3,016
Capital Outlay:							
Public Safety	98,970	535,705	0	0	0	0	634,675
Public Works	40,441	0	6,351	0	0	0	46,792
Culture and Recreation	63,701	0	0	2,171,938	0	0	2,235,639
Debt Service:							
Principal	78,516	0	0	0	0	0	78,516
Interest	3,842	0	0	0	0	0	3,842
<b>Total Expenditures</b>	<b>297,935</b>	<b>535,705</b>	<b>9,367</b>	<b>2,171,938</b>	<b>0</b>	<b>0</b>	<b>3,014,945</b>
Excess/(Deficiency) of Revenues Over Expenditures	(296,377)	(421,116)	(6,677)	(2,153,113)	4,899	11	(2,872,373)
Other Financing Sources/(Uses):							
Proceeds from Long-term Debt	84,563	0	0	0	0	0	84,563
Transfers In	120,000	40,000	53,168	0	0	19,144	232,312
Transfers Out	0	0	(310,525)	0	0	(64,759)	(375,284)
<b>Total Other Financing Sources/(Uses)</b>	<b>204,563</b>	<b>40,000</b>	<b>(257,357)</b>	<b>0</b>	<b>0</b>	<b>(45,615)</b>	<b>(58,409)</b>
<b>Net Change in Fund Balances</b>	<b>(91,814)</b>	<b>(381,116)</b>	<b>(264,034)</b>	<b>(2,153,113)</b>	<b>4,899</b>	<b>(45,604)</b>	<b>(2,930,782)</b>
Fund Balances - July 1, 2017	107,859	619,854	393,260	2,235,951	17,626	55,377	3,429,927
Fund Balances - June 30, 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>

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CITY OF RUTLAND, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2018

	Emergency Fuel Fund	M. Garofano Memorial Fund	Grace Stoolfire Trust Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>				
Cash	\$ 17,760	\$ 12,490	\$ 34,600	\$ 64,850
Investments	<u>0</u>	<u>0</u>	<u>372,189</u>	<u>372,189</u>
Total Assets	<u>17,760</u>	<u>12,490</u>	<u>406,789</u>	<u>437,039</u>
<u>LIABILITIES</u>				
Liabilities:				
Due to Other Funds	<u>273</u>	<u>2,000</u>	<u>0</u>	<u>2,273</u>
Total Liabilities	<u>273</u>	<u>2,000</u>	<u>0</u>	<u>2,273</u>
<u>NET POSITION</u>				
Restricted:				
Held in Trust for: Other Purposes	<u>17,487</u>	<u>10,490</u>	<u>406,789</u>	<u>434,766</u>
Total Net Position	<u>\$ 17,487</u>	<u>\$ 10,490</u>	<u>\$ 406,789</u>	<u>\$ 434,766</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, 2018

	Emergency Fuel Fund	M. Garofano Memorial Fund	Grace Stoolfire Trust Fund	Total
Additions:				
Investment Income	\$ 3	\$ 2	\$ 44,308	\$ 44,313
Donations	<u>800</u>	<u>0</u>	<u>0</u>	<u>800</u>
Total Additions	<u>803</u>	<u>2</u>	<u>44,308</u>	<u>45,113</u>
Deductions:				
Music Programs	0	0	4,207	4,207
Scholarships	0	2,000	0	2,000
Miscellaneous	<u>273</u>	<u>0</u>	<u>70</u>	<u>343</u>
Total Deductions	<u>273</u>	<u>2,000</u>	<u>4,277</u>	<u>6,550</u>
Change in Net Position	530	(1,998)	40,031	38,563
Net Position - July 1, 2017	<u>16,957</u>	<u>12,488</u>	<u>366,758</u>	<u>396,203</u>
Net Position - June 30, 2018	<u>\$ 17,487</u>	<u>\$ 10,490</u>	<u>\$ 406,789</u>	<u>\$ 434,766</u>

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CITY OF RUTLAND, VERMONT  
 COMBINING SCHEDULE OF FUND NET POSITION  
 PROPRIETARY FUND  
 WATER FUND  
 JUNE 30, 2018

	Water Fund	Water Capital Fund	Water Vehicle Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 0	\$ 1,429,401	\$ 51,947	\$ 1,481,348
Receivables (Net of Allowance for Uncollectibles)	1,422,102	0	0	1,422,102
Due from Other Funds	0	80,000	5,000	85,000
Prepaid Expenses	13,905	0	0	13,905
Inventory	62,158	0	0	62,158
Total Current Assets	<u>1,498,165</u>	<u>1,509,401</u>	<u>56,947</u>	<u>3,064,513</u>
Noncurrent Assets:				
Capital Assets:				
Land	2,817,569	0	0	2,817,569
Construction in Progress	155,998	0	0	155,998
Land Improvements	145,946	0	0	145,946
Vehicles, Machinery and Equipment	3,042,815	0	0	3,042,815
Buildings, Distribution and Collection Systems	18,692,823	0	0	18,692,823
Less: Accumulated Depreciation	<u>(8,746,525)</u>	<u>0</u>	<u>0</u>	<u>(8,746,525)</u>
Total Noncurrent Assets	<u>16,108,626</u>	<u>0</u>	<u>0</u>	<u>16,108,626</u>
Total Assets	<u>17,606,791</u>	<u>1,509,401</u>	<u>56,947</u>	<u>19,173,139</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits	147,330	0	0	147,330
Deferred Outflows of Resources Related to the City's Participation in VMERS	51,914	0	0	51,914
Deferred Outflows of Resources Related to the City's Pension Plan	<u>288,338</u>	<u>0</u>	<u>0</u>	<u>288,338</u>
Total Deferred Outflows of Resources	<u>487,582</u>	<u>0</u>	<u>0</u>	<u>487,582</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	39,780	102,864	0	142,644
Accrued Payroll and Benefits Payable	13,480	0	0	13,480
Due to Other Funds	146,037	0	0	146,037
Due to Others	4,230	0	0	4,230
Unearned Revenue	11,175	0	0	11,175
Accrued Interest Payable	25,394	0	0	25,394
General Obligation Bonds Payable - Current Portion	227,437	0	0	227,437
Notes Payable - Current Portion	<u>450,000</u>	<u>0</u>	<u>0</u>	<u>450,000</u>
Total Current Liabilities	<u>917,533</u>	<u>102,864</u>	<u>0</u>	<u>1,020,397</u>
Noncurrent Liabilities:				
Compensated Absences Payable	130,441	0	0	130,441
Other Postemployment Benefits Payable	542,076	0	0	542,076
Net Pension Liability - VMERS	67,922	0	0	67,922
Net Pension Liability - City's Pension Plan	1,305,556	0	0	1,305,556
General Obligation Bonds Payable - Noncurrent Portion	2,173,195	0	0	2,173,195
Notes Payable - Noncurrent Portion	<u>450,000</u>	<u>0</u>	<u>0</u>	<u>450,000</u>
Total Noncurrent Liabilities	<u>4,669,190</u>	<u>0</u>	<u>0</u>	<u>4,669,190</u>
Total Liabilities	<u>5,586,723</u>	<u>102,864</u>	<u>0</u>	<u>5,689,587</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources Related to the City's Participation in VMERS	1,681	0	0	1,681
Deferred Inflows of Resources Related to the City's Pension Plan	<u>396,880</u>	<u>0</u>	<u>0</u>	<u>396,880</u>
Total Deferred Inflows of Resources	<u>398,561</u>	<u>0</u>	<u>0</u>	<u>398,561</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	13,707,994	0	0	13,707,994
Unrestricted/(Deficit)	<u>(1,598,905)</u>	<u>1,406,537</u>	<u>56,947</u>	<u>(135,421)</u>
Total Net Position	<u>\$ 12,109,089</u>	<u>\$ 1,406,537</u>	<u>\$ 56,947</u>	<u>\$ 13,572,573</u>

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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, 2018

	Water Fund	Water Capital Fund	Water Vehicle Fund	Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 3,462,949	\$ 0	\$ 0	\$ 3,462,949
Penalties and Interest	33,222	0	0	33,222
Other Income	2,575	0	0	2,575
<b>Total Operating Revenues</b>	<b>3,498,746</b>	<b>0</b>	<b>0</b>	<b>3,498,746</b>
<b>Operating Expenses:</b>				
Salaries and Benefits	1,101,626	0	0	1,101,626
Administrative Fees	709,712	0	0	709,712
Utilities	47,407	0	0	47,407
Insurances	146,983	0	0	146,983
Dues and Fees	50,151	0	0	50,151
Taxes	57,300	0	0	57,300
Telephone and Internet	7,530	0	0	7,530
Supplies	139,157	0	0	139,157
Machinery and Equipment	14,387	0	0	14,387
Repairs and Maintenance	89,746	0	0	89,746
Professional Services	22,217	0	0	22,217
Chemicals	54,606	0	0	54,606
Miscellaneous	12,637	0	0	12,637
Depreciation	462,319	0	0	462,319
<b>Total Operating Expenses</b>	<b>2,915,778</b>	<b>0</b>	<b>0</b>	<b>2,915,778</b>
<b>Operating Income</b>	<b>582,968</b>	<b>0</b>	<b>0</b>	<b>582,968</b>
<b>Non-Operating Revenues/(Expenses):</b>				
Insurance Proceeds	11,658	0	0	11,658
Timber Sales	35,835	0	0	35,835
Investment Income	0	10,219	6	10,225
Interest Expense	(98,430)	0	0	(98,430)
<b>Total Non-Operating Revenues/(Expenses)</b>	<b>(50,937)</b>	<b>10,219</b>	<b>6</b>	<b>(40,712)</b>
<b>Net Income Before Capital Contributions and Transfers</b>	<b>532,031</b>	<b>10,219</b>	<b>6</b>	<b>542,256</b>
<b>Capital Contributions and Transfers:</b>				
Capital Contributions	310,393	0	0	310,393
Transfers In	205,900	320,000	20,000	545,900
Transfers Out	(340,000)	(205,900)	0	(545,900)
<b>Total Capital Contributions and Transfers</b>	<b>176,293</b>	<b>114,100</b>	<b>20,000</b>	<b>310,393</b>
<b>Change in Net Position</b>	<b>708,324</b>	<b>124,319</b>	<b>20,006</b>	<b>852,649</b>
<b>Net Position - July 1, 2017, As Restated</b>	<b>11,400,765</b>	<b>1,282,218</b>	<b>36,941</b>	<b>12,719,924</b>
<b>Net Position - June 30, 2018</b>	<b>\$ 12,109,089</b>	<b>\$ 1,406,537</b>	<b>\$ 56,947</b>	<b>\$ 13,572,573</b>

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT  
 COMBINING SCHEDULE OF FUND NET POSITION  
 PROPRIETARY FUND  
 SEWER FUND  
 JUNE 30, 2018

	Sewer Fund	Sewer Capital Fund	Sewer Vehicle Fund	CSO Capital Fund	Total
<u>ASSETS</u>					
Current Assets:					
Cash	\$ 628,771	\$ 232,351	\$ 61,659	\$ 271,007	\$ 1,193,788
Receivables (Net of Allowance for Uncollectibles)	1,911,650	0	0	0	1,911,650
Due from Others Funds	12,821	17,090	5,000	47,117	82,028
Prepaid Expenses	17,895	0	0	0	17,895
Inventory	28,411	0	0	0	28,411
	<u>2,599,548</u>	<u>249,441</u>	<u>66,659</u>	<u>318,124</u>	<u>3,233,772</u>
Total Current Assets					
Noncurrent Assets:					
Capital Assets:					
Land	49,360	0	0	0	49,360
Construction in Progress	163,225	0	0	0	163,225
Vehicles, Machinery and Equipment	3,365,830	0	0	0	3,365,830
Buildings, Distribution and Collection Systems	33,171,823	0	0	0	33,171,823
Less: Accumulated Depreciation	(14,627,020)	0	0	0	(14,627,020)
	<u>22,123,218</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,123,218</u>
Total Noncurrent Assets					
Total Assets					
	<u>24,722,766</u>	<u>249,441</u>	<u>66,659</u>	<u>318,124</u>	<u>25,356,990</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Outflows of Resources Related to the City's Other Postemployment Benefits					
	187,065	0	0	0	187,065
Deferred Outflows of Resources Related to the City's Participation in VMERS					
	31,275	0	0	0	31,275
Deferred Outflows of Resources Related to the City's Pension Plan					
	720,616	0	0	0	720,616
	<u>938,956</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>938,956</u>
Total Deferred Outflows of Resources					
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts Payable	88,811	0	0	0	88,811
Accrued Payroll and Benefits Payable	33,148	0	0	0	33,148
Due to Others	7,760	0	0	0	7,760
Unearned Revenue	2,808	0	0	0	2,808
Accrued Interest Payable	30,329	0	0	0	30,329
General Obligation Bonds Payable - Current Portion	438,889	0	0	0	438,889
Notes Payable - Current Portion	150,000	0	0	0	150,000
	<u>751,745</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>751,745</u>
Total Current Liabilities					
Noncurrent Liabilities:					
Compensated Absences Payable	250,179	0	0	0	250,179
Other Postemployment Benefits Payable	669,891	0	0	0	669,891
Net Pension Liability - VMERS	40,918	0	0	0	40,918
Net Pension Liability - City's Pension Plan	3,262,860	0	0	0	3,262,860
General Obligation Bonds Payable - Noncurrent Portion	5,958,799	0	0	0	5,958,799
Notes Payable - Noncurrent Portion	150,000	0	0	0	150,000
	<u>10,332,647</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,332,647</u>
Total Noncurrent Liabilities					
Total Liabilities					
	<u>11,084,392</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,084,392</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Inflows of Resources Related to the City's Participation in VMERS					
	1,013	0	0	0	1,013
Deferred Inflows of Resources Related to the City's Pension Plan					
	991,886	0	0	0	991,886
	<u>992,899</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>992,899</u>
Total Deferred Inflows of Resources					
<u>NET POSITION</u>					
Net Investment in Capital Assets	15,725,530	0	0	0	15,725,530
Unrestricted/(Deficit)	(2,141,099)	249,441	66,659	318,124	(1,506,875)
	<u>\$ 13,584,431</u>	<u>\$ 249,441</u>	<u>\$ 66,659</u>	<u>\$ 318,124</u>	<u>\$ 14,218,655</u>
Total Net Position					

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  
 SEWER FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Fund	Sewer Capital Fund	Sewer Vehicle Fund	CSO Capital Fund	Total
Operating Revenues:					
Charges for Services	\$ 5,269,042	\$ 1,680	\$ 0	\$ 0	\$ 5,270,722
Penalties and Interest	49,548	0	0	0	49,548
Other Income	<u>3,843</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,843</u>
Total Operating Revenues	<u>5,322,433</u>	<u>1,680</u>	<u>0</u>	<u>0</u>	<u>5,324,113</u>
Operating Expenses:					
Salaries and Benefits	2,160,931	0	0	0	2,160,931
Administrative Fees	709,712	0	0	0	709,712
Utilities	377,457	0	0	0	377,457
Insurances	202,242	0	0	0	202,242
Dues and Fees	12,895	0	0	0	12,895
Telephone and Internet	9,506	0	0	0	9,506
Supplies	94,892	0	0	0	94,892
Machinery and Equipment	37,109	0	0	18,243	55,352
Repairs and Maintenance	239,516	0	0	0	239,516
Professional Services	79,561	0	0	0	79,561
Chemicals	131,970	0	0	0	131,970
Real Estate Lease	5,700	0	0	0	5,700
Sludge Disposal	533,669	0	0	0	533,669
Miscellaneous	13,384	0	0	0	13,384
Depreciation	<u>771,587</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>771,587</u>
Total Operating Expenses	<u>5,380,131</u>	<u>0</u>	<u>0</u>	<u>18,243</u>	<u>5,398,374</u>
Operating Income/(Loss)	<u>(57,698)</u>	<u>1,680</u>	<u>0</u>	<u>(18,243)</u>	<u>(74,261)</u>
Non-Operating Revenues/(Expenses):					
Investment Income	0	1,002	9	2,391	3,402
Hazard Mitigation Grant Income	6,983	0	0	0	6,983
Hazard Mitigation Grant Expenses	(10,000)	0	0	0	(10,000)
Interest Expense	<u>(147,576)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(147,576)</u>
Total Non-Operating Revenues/(Expenses)	<u>(150,593)</u>	<u>1,002</u>	<u>9</u>	<u>2,391</u>	<u>(147,191)</u>
Net Income Before Capital					
Contributions and Transfers	<u>(208,291)</u>	<u>2,682</u>	<u>9</u>	<u>(15,852)</u>	<u>(221,452)</u>
Capital Contributions and Transfers:					
Capital Contributions	1,286,342	0	0	78,600	1,364,942
Transfers In	317,490	65,000	20,000	220,955	623,445
Transfers Out	<u>(305,955)</u>	<u>(13,564)</u>	<u>0</u>	<u>(303,926)</u>	<u>(623,445)</u>
Total Capital Contributions and Transfers	<u>1,297,877</u>	<u>51,436</u>	<u>20,000</u>	<u>(4,371)</u>	<u>1,364,942</u>
Change in Net Position	1,089,586	54,118	20,009	(20,223)	1,143,490
Net Position - July 1, 2017, As Restated	<u>12,494,845</u>	<u>195,323</u>	<u>46,650</u>	<u>338,347</u>	<u>13,075,165</u>
Net Position - June 30, 2018	<u>\$ 13,584,431</u>	<u>\$ 249,441</u>	<u>\$ 66,659</u>	<u>\$ 318,124</u>	<u>\$ 14,218,655</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, 2018

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 Two Rivers-Ottawaquechee Regional Commission				
CDBG - Disaster Recovery Grants - Pub.L: No. 113-2 Cluster				
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269	02140-34207	\$ 0	\$ 3,863
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269	02140-34043.001	0	8,000
Total CDBG - Disaster Recovery Grants - Pub L: No. 113-2 Cluster			0	11,863
Passed through State of Vermont Agency of Commerce and Community Development				
Community Development Block Grant	14.228	07110-PG-2016-001	0	24,476
Community Development Block Grant	14.228	07110-IG-2013-009	106,755	106,755
Community Development Block Grant	14.228	07110-IG-2016-00005	200,000	200,000
Total Community Development Block Grant			306,755	331,231
Total U.S. Department of Housing and Urban Development			306,755	343,094
<u>U.S. Department of Justice</u>				
Direct				
Bulletproof Vest Partnership Program	16.607	BVP 2016	0	3,402
Bulletproof Vest Partnership Program	16.607	BVP 2017	0	1,877
Edward Byrne Memorial Justice Assistance Grants Program	16.738	2016-DJ-BX-0895	0	1,897
Equitable Sharing Program	16.922	N/A	0	12,091
Passed through State of Vermont Center for Crime Victim Services				
STOP Violence Against Women Formula Grant Program	16.588	02160STOP-17-40495	0	18,473
Total U.S. Department of Justice			0	37,740
<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	08100-CA0297	0	740,508
Highway Planning and Construction	20.205	08126-CA0335	0	1,624
Highway Planning and Construction	20.205	08126-CA0419	0	34,603
Highway Planning and Construction	20.205	08100-CA0431	0	259,040
Total Highway Planning and Construction Cluster			0	1,035,775

See Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
Passed through Rutland County Sheriff's Department				
Highway Safety Cluster				
State and Community Highway Safety	20.600	GR1053	\$ 0	\$ 4,112
State and Community Highway Safety	20.600	GR1230	0	6,546
Total Highway Safety Cluster			0	10,658
Minimum Penalties for Repeat Offenders DUI	20.608	GR1053	0	219
Minimum Penalties for Repeat Offenders DUI	20.608	GR1230	0	6,780
Total U.S. Department of Transportation			0	1,053,432
<u>U.S. Environmental Protection Agency</u>				
Passed through State of Vermont Department of Environmental Conservation				
Clean Water State Revolving Fund Cluster				
Clean Water State Revolving Funds	66.458	06140-RF-1-193	0	60,610
Communities Facilities Loans Cluster				
Drinking Water State Revolving Funds	66.468	06140-RF3-341	0	165,750
Drinking Water State Revolving Funds	66.468	06140-RF3-340	0	57,177
Total Communities Facilities Loans Cluster			0	222,927
Total U.S. Environmental Protection Agency			0	283,537
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Hazard Mitigation Grant Program	97.039	02140-34000-117	0	6,982
Hazard Mitigation Grant Program	97.039	02140-34043-001	0	24,000
Hazard Mitigation Grant Program	97.039	02140-34207-002	0	11,588
Total U.S. Department of Homeland Security			0	42,570
Total			\$ 306,755	\$ 1,760,373

See Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

**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, 2018. 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, 2018 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 25, 2019.

***Internal Control Over Financial Reporting***

In planning and performing the audit, we considered the City of Rutland, Vermont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rutland, Vermont's internal control over financial reporting.

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

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. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2018-01 through 2018-03 to be material weaknesses.

### ***Compliance and Other Matters***

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

We also noted certain other matters that we reported to the management of the City of Rutland, Vermont in a separate letter dated March 25, 2019.

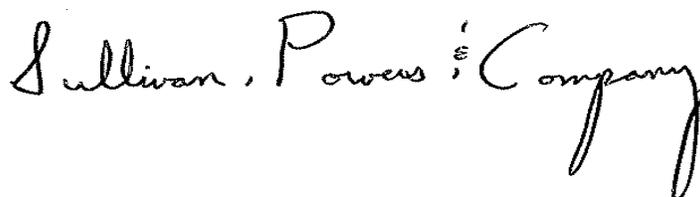
### ***City of Rutland, Vermont's Response to Deficiencies in Internal Control***

The City of Rutland, Vermont's responses to the deficiencies in internal control identified in our audit are included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The City of Rutland, Vermont's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### ***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 25, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



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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, 2018. 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, 2018.

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

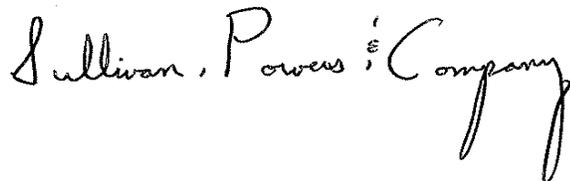
The management of the City of Rutland, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of Rutland, Vermont's 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 25, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



CITY OF RUTLAND, VERMONT  
SUMMARY SCHEDULE OF PRIOR FINDINGS AND DEFICIENCIES  
IN INTERNAL CONTROL  
JUNE 30, 2018

Deficiencies in Internal Control:

Material Weaknesses:

2017-01 Capitalization of State Administered Capital Projects

Criteria:

Internal controls should be in place to ensure that capital projects administered by the State that result in capital assets are recorded by the City.

Condition:

The City did not have controls in place to ensure that the City recorded capital assets resulting from projects administered by the State.

Cause:

Unknown

Effect:

The City did not record bridge projects administered by the State resulting in a prior period adjustment increasing the City's capital assets and net position of its Governmental Activities by \$17,046,828.

Recommendation:

We recommend that the City implement controls to ensure that capital assets resulting from State administered projects are recorded.

*Management's Response:*

In prior years, procedures for Capital Assets including capitalizing only the City's portion of the State administered projects. Capital Assets procedures have been expanded to include capitalizing the entire project.

*Corrective Action Taken:*

Corrective action was taken.

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2017-02 Unbilled Water and Sewer Receivables

Criteria:

Internal controls should be in place to ensure that any unbilled water and sewer receivables at year end are recorded.

Condition:

The City did not have controls in place to ensure that unbilled water and sewer receivables were recorded at year end.

Cause:

Unknown.

Effect:

The City's receivables and net position in the Water and the Sewer Fund and its business-type activities were understated resulting in a prior period adjustment of \$390,000 in the Water Fund, \$507,000 in the Sewer Fund and \$897,000 in the Business-Type Activities.

Recommendation:

We recommend that the City implement controls to ensures that unbilled receivables are recorded.

Management's Response:

Management determined the unbilled water and sewer receivables to be recorded as of June 30, 2017. Additional procedures will be implemented to ensure that unbilled receivables are recorded and evaluated annually.

*Corrective Action Taken:*

Corrective action was taken.

2017-03 Other Postemployment Benefits Liability

*Criteria:*

Internal controls should be in place to ensures that the City's other postemployment benefits liability is accurately reported.

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*Condition:*

The City did not have controls in place to ensure that the other postemployment benefits liability was accurately reported.

*Cause:*

Unknown.

*Effect:*

The City recorded the actuarially accrued liability rather than the other postemployment benefits liability as required. The effect of this was a prior period adjustment reducing the liability and increasing the net position in the Water Fund by \$228,293, in the Sewer Fund by \$242,580, in the Parking Meter Fund by \$68,252, in the Governmental Activities by \$1,390,959 and in the Business-Type Activities by \$539,125.

*Recommendation:*

We recommend that the City implement controls to ensure that the City's other postemployment benefits liability is accurately reported.

*Management's Response:*

Year end procedures will be implemented to ensure accurate reporting of the Other Postemployment benefits liability.

*Corrective Action Taken:*

No corrective action was taken.

2017-04 Loans Receivable

*Criteria:*

Internal controls should be in place to ensure that loans receivable are recorded net of an allowance for uncollectible loans.

*Condition:*

The City did not have controls in place to ensure that loans receivable are recorded net of an estimated allowance for uncollectible loans.

*Cause:*

Unknown.

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*Effect:*

The City's loans receivable and net position in its governmental activities were overstated resulting in a prior period adjustment of \$1,150,684.

*Recommendation:*

We recommend that the City implement controls to evaluate the collectability of their loans receivable and record an appropriate allowance.

*Management's Response:*

The City records notes receivables at Net Present Value, additional procedures will be established to ensure that collectability of notes receivable is determined and an appropriate allowance is recorded.

*Corrective Action Taken:*

Corrective action was taken.

2017-05 Fund Classifications

*Criteria:*

Internal controls should be in place to ensure that all funds of the City are classified and reported in the proper categories.

*Condition:*

The City did not have internal controls in place to ensure that all funds of the City were classified and reported in accordance with generally accepted accounting principles.

*Cause:*

Unknown.

*Effect:*

The City had to reclassify a number of funds that were categorized as special revenue funds and a private purpose trust fund in the prior year to be included with the Water Fund, the Sewer Fund and the General Fund. In addition, several special revenue funds were recategorized as capital project funds. In total, the City reduced the governmental activities net position by \$1,419,709, reduced the private purpose trust funds net position by \$179,320 and increased the business-type activities net position by \$1,599,028.

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*Recommendation:*

We recommend that the City implement controls to ensure that its funds and activities are classified and reported in accordance with generally accepted accounting principles.

*Management's Response:*

A process is being implemented to correct the City's General Ledger to reclassify funds by the correct Fund type.

*Corrective Action Taken:*

Corrective action was taken.

2017-06 Receivables

*Criteria:*

Internal controls should be in place to ensure that the City records all of their receivables and unearned revenue.

*Condition:*

The City did not have controls in place to ensure that it recorded all of its receivables and unearned revenue.

*Cause:*

Unknown.

*Effect:*

A number of receivables such as rent due at the Transit Center, impact fees due from a developer, several amounts due from grants and unspent grant funds were not recorded.

*Recommendation:*

We recommend that the City implement controls to ensure that its receivables and unearned revenue are recorded.

*Management's Response:*

Receivables for Transit Center, impact fees and grant funds have been recorded. Additional procedures will be implemented to ensure receivables and unearned revenue is properly recorded.

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*Corrective Action Taken:*

Corrective action was taken.

2017-07 Net Pension Liability

*Criteria:*

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

*Condition:*

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

*Cause:*

Unknown.

*Effect:*

The City's net pension liability and related deferred inflows and outflows of resources were incorrect resulting in prior period adjustments to the net position of the Governmental and Business-type Activities and the Water, Sewer and Parking Meter Funds. The net position of the Governmental activities was increased by \$4,124,640 and the net position of the Business-type Activities was decreased by \$4,124,640. In addition, the net position of the Water, Sewer and Parking Meter Funds were decreased by \$1,136,806, \$2,795,392 and \$192,443, respectively.

*Recommendation:*

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

Management's Response:

Net Pension Liability is now recorded by the Governmental Activity in which the pension benefit is earned. Controls will be implemented to ensure that pension liability and deferred inflows and outflows of resources are recorded properly.

*Corrective Action Taken:*

No corrective action was taken.

CITY OF RUTLAND, VERMONT  
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Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:  
Unmodified.

Internal Control Over Financial Reporting:  
Material Weaknesses identified:  
Yes.  
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>
20.205	Highway Planning and Construction	U.S. Department of Transportation

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

The auditee did not qualify as a low risk auditee.

CITY OF RUTLAND, VERMONT  
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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.

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.

*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.

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*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.

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.

*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.



CITY OF RUTLAND  
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OFFICE OF THE CITY TREASURER

March 15, 2019

Sullivan, Powers & Co., P.C.  
Attn: Fred Duplessis, CPA  
PO Box 947  
Montpelier, VT 05601

In connection with the fiscal year 2018 audit of the City of Rutland, below are the responses to the Internal Control Deficiencies.

**2018-01 Forgiveness of Debt**

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.

**2018-02 Postemployment Benefits Liability**

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.

**2018-03 Net Pension Liability**

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.

We would like to take this opportunity to thank you and your staff for the thoroughness and professionalism in completing the audit of the City of Rutland. Please feel free to contact me, if you should have any questions.

Respectfully Submitted,

Mary A. Markowski  
Treasurer, City of Rutland