

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

# Corrette & Associates, P.C.

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# CORRETTE & ASSOCIATES

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## INDEPENDENT AUDITORS' REPORT

To the Board of Aldermen  
City of Rutland  
Rutland, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rutland, Rutland, Vermont as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of 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 accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditors' Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express any such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on pages 4 through 13 and page 60 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rutland, Vermont's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements on pages 62 through 65 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 03, 2016, 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Corrette & Associates*

Corrette & Associates, P.C.  
Saint Johnsbury, Vermont  
March 03, 2016  
Vermont License # 92-0130

## MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED JUNE 30, 2015

Presented here is the Management Discussion & Analysis for the City of Rutland, Vermont for the fiscal year ended June 30, 2015. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position, and the results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an accurate understanding of the City's financial activities have been included.

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

### Financial Highlights

- The assets of the City of Rutland exceed liabilities at June 30, 2015 by \$25,373,416 comprised of investment in capital assets, net of related debt, and restricted and unrestricted funds, noted as total net position-end of year.
- The City's total net position decreased by \$1,750,397 primarily due to recognition of an increase in the City's unfunded pension liability on the statement of net position and by the implementation of GASB statement 68 which required a prior period adjustment. The City's Net Pension Liability is \$19,845,756.
- The decrease in total net position caused by increasing pension liabilities was partially offset by increases in assets and reduction in OPEB in both governmental and proprietary funds.
- The General Fund fund balance at year end is \$3,794,708 or 19% of actual General Fund revenues; the unassigned fund balance in the General Fund is \$2,621,085 or 12.9% of actual General Fund revenues.
- The City's General Fund fund balance increased by \$989,836 due primarily to financing proceeds and budgetary performance. The City expected no change in the fund balance for the fiscal year at the time the budget was approved.
- Total unrestricted net position in the proprietary funds is a deficit of \$862,010 as of June 30, 2015, about the same as the prior year. While the total net position of the Water Fund, the Sewage Disposal Fund and the Parking Meter Fund increased, the unrestricted net portion of the Sewage Disposal Fund and Transit Center Management Fund experienced reductions.

- The Water Fund and Parking Meter Fund have cash balances at June 30, 2015; the Sewage Disposal Fund and Transit Center Management Funds do not.
- As of June 30, 2015 the Net Pension Liability in the city pension increased for school and municipal employees combined to \$36,974,379. The increase is due to liabilities increases over the prior year, a shift to the report date to align with the fiscal year end, rather than the valuation dated January 1, 2015, and implementation of GASB 68 reporting model which recognizes more liability in the current year.

### **Overview of the Financial Statements**

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

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

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

### ***Government-Wide Financial Statements***

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

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

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

The implementation of GASB 67 and 68 require recognition of the City's actuarial, accrued pension liability in the government-wide financial statements. The pension liability for the pension system as a whole, including that for school employees, is included in the Notes to the financial statements.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City

uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains seventeen individual governmental funds. Information is presented in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered a major fund. The remaining non-major government funds are included in supplemental schedules.

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

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

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

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

#### **Government-Wide Financial Analysis**

Government-wide net position decreased \$1,750,397 for the year ended June 30, 2015. At year end the City of Rutland is able to report positive balances in net position, for the government as a whole, as well as its governmental and business-type activities.

The net position of the City of Rutland reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, and infrastructure); less related debt used to acquire those assets. The City of Rutland uses these assets to provide services to citizens; consequently they are not available for future spending. Although the City of Rutland's investment in its capital assets is reported net of debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The government-wide Statement of Net Position and Statement of Activities show a comparison between 2015 and the prior year:

Net Position as of June 30 is as follows:

<i>Net Position as of June 30 is as follows:</i>		2015 Total Primary Government	2014 Total Primary Government
<b>Current and Other Assets:</b>			
Current Assets		12,983,531	12,157,805
Capital Assets		56,852,184	52,235,762
Other Assets		1,417,357	1,378,086
Total Assets		\$ 71,253,072	\$ 65,771,653
<b>Current and Other Liabilities:</b>			
Long-term bonds and capital leases payable		12,946,257	11,190,240
Compensated absences payable		2,303,391	2,757,448
Other post employment benefits payable (OPEB)		6,998,983	7,630,151
Unfunded actuarial pension		19,845,756	14,418,864
Other liabilities		3,785,269	2,651,137
Total Liabilities		\$ 45,879,656	\$ 38,647,840
<b>Net Position:</b>			
Invested in capital assets, net of related debt		42,320,110	39,805,221
Restricted for:			
Notes & mortgages receivable		1,417,357	1,378,086
Restricted for specific purposes		5,361,667	6,103,507
Unrestricted		(23,725,718)	(20,163,001)
Total net position		\$ 25,373,416	\$ 27,123,813

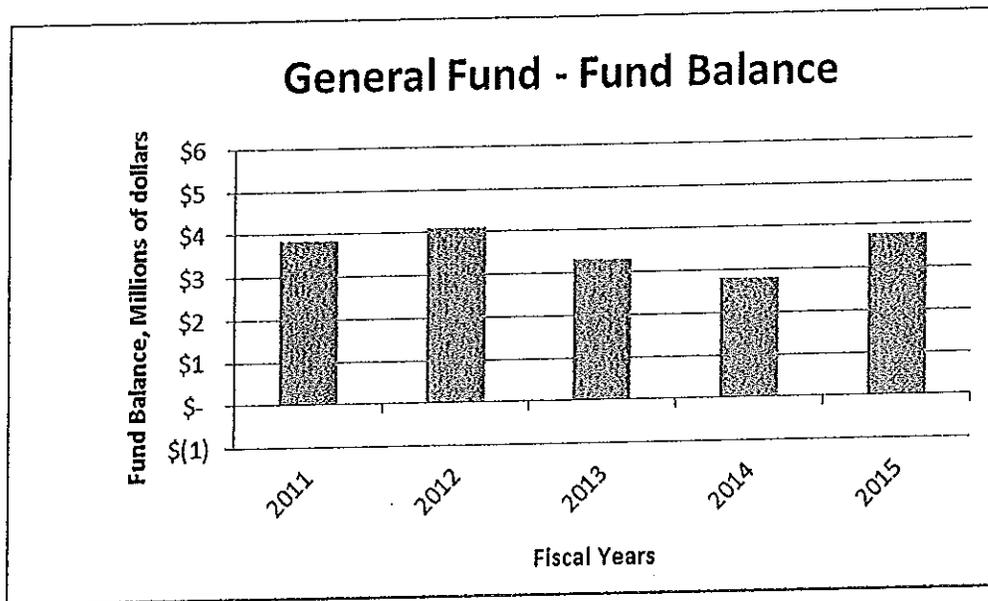
<b>Statement of Activities</b>		
The Statement of Activities reports total operating expenses and change in net position for the year ending June 30:	<b>2015 Total Primary Government</b>	<b>2014 Total Primary Government</b>
<b>Program Revenues:</b>		
Charges for services	10,423,229	10,443,394
Operating grants	122,061	214,330
Capital grants & contributions	763,036	1,040,375
Total Program Revenues	\$ 11,308,326	\$ 11,698,099
<b>General Revenues:</b>		
Property Tax assessments (Includes PILOT)	16,321,291	14,113,009
Rooms, Meals & Entertainment Tax	495,301	452,185
Judgments & fines	-	-
Interest and investment earnings	238,442	220,183
Donations	-	-
Change in Other Post Employment Benefits	631,168	1,461,479
Sale of fixed assets, stock	-	-
Transfers	480	(142,808)
Miscellaneous	415,252	249,168
Total general revenues	\$ 18,101,934	\$ 16,353,216
Total revenues	\$ 29,410,260	\$ 28,051,315
<b>General Expenses:</b>		
General government	6,965,075	18,386,629
Public safety	8,809,996	8,335,861
Highways & Streets	3,143,114	2,585,859
DPW Administration	963,262	1,404,338
Economic Development	379,918	361,702
General services	-	-
Culture & recreation	2,431,741	2,434,569
Total governmental activities:	\$ 22,693,106	\$ 33,508,958
Business-type activities	6,326,849	6,016,438
Total Primary Governmental activities	\$ 29,019,955	\$ 39,525,396
<b>Change in net position:</b>		
Net position-beginning of year	27,123,813	38,597,904
Prior Period Adjustment	(2,140,702)	-
Net Position-beginning of year restated	24,983,111	
Net position-end of year	25,373,416	27,123,813
Change in net position:	\$ 390,305	\$ (11,474,091)

## Governmental Funds

At June 30, 2015 the City of Rutland's governmental funds report combined fund balances of \$8,134,740, and increase of \$573,148 over the prior period primarily due to the increase in the unassigned General Fund fund balance. The governmental funds are comprised of the General Fund and non-major government funds, such as the Equipment Replacement Fund, Fire Equipment Fund, Zambias Fund and others used for special purposes. The City of Rutland maintains seventeen governmental funds. Of these only the General Fund is considered to be a major governmental fund.

### *General Fund-Fund Balance*

The General Fund shows a fund balance of \$3,794,708 as of June 30, 2015, the fund balance as of June 30, 2014 was \$2,804,872. Therefore, the General Fund fund balance increased \$989,836. This increase was unexpected due to financing proceeds and budgetary performance that occurred during the year. At June 30, 2015 the City designated \$1,173,623 of the General Fund fund balance for specific purposes, a decrease of \$288,339 over the prior year due to a reduction in non-spendable and committed fund balances.



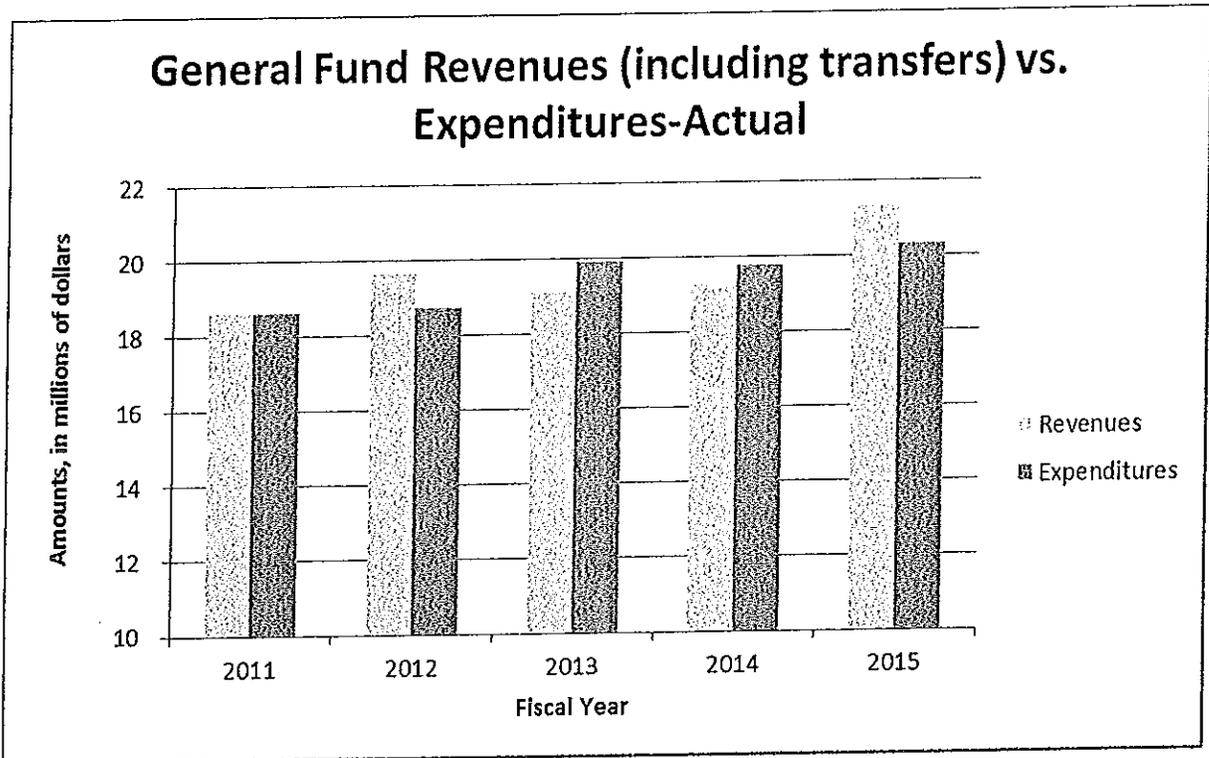
### *General Fund Budget vs. Actual*

Final actual revenues exceeded budgeted revenues by \$1,713,950 before transfers. Most sources of revenue are higher than expected, except for taxes, licenses and permits and investment earnings. General tax revenues are lower than expected due to delinquencies at year end, errors and omissions and other adjustments affecting the grand list. Increases in grant revenue were consumed by increased expenditures related to grant programs. As a result of delinquencies penalties and interest revenue exceeded budget as did tax sale revenue. Proceeds of borrowing were significant unexpected sources of revenue.

Final actual expenditures are higher than budgeted amounts by \$380,642. Several City departments posted higher expenses than budgeted, including Legislative (tax abatements

approved by the Board), City Attorney, Street Lighting (completion of LED conversion project), Community Development (grant expenditures, offset by revenues), Godnick Center (facility improvements), and Debt Service (offsetting some proceeds of borrowing). All other City Departments met or fell below budget targets.

The General Fund actuals show revenues under expenditures by \$6,174. After application of transfers-in the net change to fund balance was \$989,836. The City planned a slight surplus of \$33,740 in the budget process.



*Note: The City planned a deficit in 2014 by applying \$800,000 of prior year's surplus to the budget to stabilize the tax rate.*

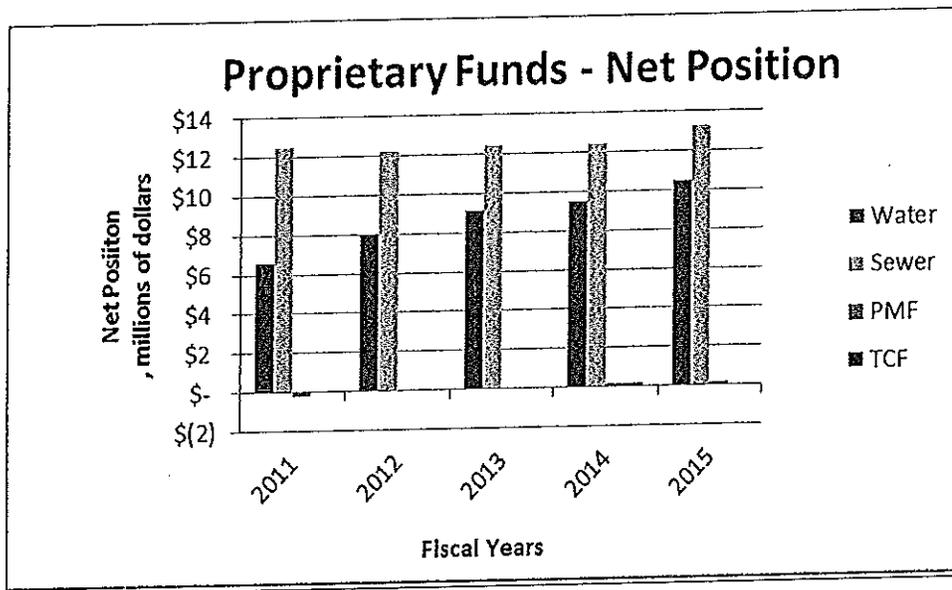
**Proprietary Funds**

The City of Rutland maintains four proprietary funds: Water Fund, Sewage Disposal Fund, Parking Meter Fund, and the Transit Center Management Fund. The proprietary funds report the same functions as the business-type activities in the government-wide financial statements.

Overall the proprietary funds experienced an increase in net position of \$1,768,057 over the prior fiscal year, mainly due to increases in assets. Unrestricted net position is negative for the proprietary funds overall, at (\$862,011) as of June 30, 2015, an increase of \$5,063 over the prior year. Net positions of the proprietary funds are represented primarily by capital assets. Unrestricted net position did improve for Water Fund and Parking Meter Fund and was reduced further for the Sewage Disposal Fund and Transit Center Management Fund over the prior year.

The City sets water and sewer rates in conjunction with the approval of the budgets for the Water Fund and the Sewage Disposal Fund. Parking rates and fines are established by City ordinances. Revenues associated with the Transit Center Management Fund are determined by contracts with the State of Vermont and a parking management contractor.

The City presented a statement of cash flows for the proprietary funds at year end showing total cash at June 30, 2015 is \$580,561 for all funds combined. This is an increase of \$172,060 over June 30, 2014. The City utilizes a pooled cash account for the General Fund and the proprietary funds. The City reports cash balances of the proprietary funds in the pooled cash account to governance and management monthly.



### Capital Assets

The City considers a capital asset to be an asset whose costs exceed \$5,000 and has a useful life of greater than five years. Assets are depreciated using the straight-line method over the course of their useful life. Additions to capital assets were made in FY 2015, totaling \$2,094,554 in Governmental activities and \$5,349,079 in Business-type (proprietary funds) activities. Additions exceed accumulated depreciation and decreases in capital assets in both governmental and proprietary funds.

### Long-Term Obligations

At June 30, 2015 the City shows an increase in bonds payable of \$2,101,533 over the prior period and total long term debt was \$14,532,074 at year end. During the year the following change occurred to the City's long term debt structure:

- The City entered into a 20 year bond at 0% through the Vermont Clean Water State Revolving Fund for a \$5,200,000 sewer project in the City's Northwest neighborhood.
- The City entered into a 10 year bond at 2.45% through Merchants Bank to finance the City's share of Route 4 and 7 improvements.
- The City entered into a capital lease in FY 2015 for the purchase of Police vehicles

The City had no short term debt outstanding at year end.

As of January 1, 2015 valuation the total City pension system was 72.82% funded a slight increase in funding status over January 1, 2014. Despite market gains the deficiency of assets over unfunded actuarial accrued liability increased to \$27,118,521 for the total pension system covering both City and School employees. The Board of Education (Rutland Public Schools) liability is \$10,911,786 as of January 1, 2015 compared to \$12,429,539 in the prior year due to increased contributions and changes to the plan. City (municipal government, not schools) liability is \$16,206,735 as of January 1, 2015 compared to \$14,418,864 in the prior year, despite increases in contributions as the City has not paid the annually required contributions. As of January 1, 2015 all new City employees participate in Vermont Municipal Employee Retirement System (VMERS) unless previously vested in the City's pension plan, closing the plan to new entrants. This will have the effect of increasing the unfunded liability for a period of many years and then declining thereafter as the plan winds down.

Implementation of GASB 67 in FY 2014 and GASB 68 in FY 2015 changed the way that pension obligations are presented in the City's financial statements. Implementation of GASB 67 required the City to include its unfunded liability as of the January 1, 2014 Valuation in the government wide financial statements, specifically in the Statement of Net Position. Implementation of GASB 68 involved significant changes to the presentation of the City pension liability as a Net Pension Liability rather than Unfunded Actuarial Liability. This change involved recognizing more of the liability in the current year than previous presentations and calculating the liability through June 30, 2015 resulting in a prior period adjustment in the Statement of Activities. These changes increased the magnitude of the liability for inclusion in the financial statements to a Net Pension Liability for FY 2015 of \$19,845,756.

Details relating to the assets and liabilities of the entire plan continue to be included in the Notes to the financial statements under Note V-Other information in addition to the disclosure of the liabilities in the financial statements beginning in FY 2014. Prior to FY 2014 the pension information was found only in the Notes to the financial statements.

Other post-employment benefits (OPEB) unfunded actuarial accrued liability at June 30, 2015 is \$6,998,983 for City (not Rutland Public Schools) employees and retirees, a reduction of \$631,168 over the prior year due to increases in employee healthcare contributions, changes to post-employment benefits and continuance of a high deductible health care plan.

### **Economic Factors, Tax Rates and 2015 Budget**

A soft, but improving economic climate continued to affect revenues for most municipalities in the region, state and the nation. The unemployment rate for the Rutland region was 4.7% in June 2015 about the same as June 2014 according to the Vermont Department of Labor. The unemployment rate for the state of Vermont as a whole was 3.7% and the national rate was 5.3% as of June 2015. The median year-round home price in Rutland County was \$140,000 in 2015, same as the prior year indicating possible stabilization in the home market.

The overall 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 2015	\$989,086	\$30,958,740	3.19%
FY 2014	\$951,967	\$29,094,822	3.27%
FY 2013	\$900,298	\$28,077,160	3.21%
FY 2012	\$847,825	\$27,796,059	3.05%
FY 2011	\$811,161	\$27,927,405	2.90%

Changes in the grand list due to state tax department homestead changes, errors and omissions, grievances, and adjustments reduced the expected tax revenue at June 30:

	<b>Grand List, BOY</b>	<b>Grand List EOY</b>	<b>Impact on tax revenue</b>
FY 2015	10,150,930.52	10,137,705.85	(\$41,824)
FY 2014	10,141,084.62	10,134,000.92	(\$21,058)
FY 2013	10,120,875.00	10,095,113.64	(\$87,415)
FY 2012	10,053,741.50	10,049,189.62	(\$15,207)
FY 2011	10,067,899.07	10,040,680.46	(\$105,657)

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 yearend. 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.

Overall property tax rates for FY 2015 increased over FY 2014 due to the municipal appropriation. The homestead education tax for FY 2015 was \$1.4476, a 0.61% decrease, whereas non-residential education tax rate increased to \$1.5847, and increase of 0.2%. The municipal rate increased from \$1.3911 to \$1.5779, an increase of 13.42%, primarily due to the application of \$800,000 surplus to reduce the municipal tax rate for FY 2014. Both school and municipal budgets were approved by the voters.

### **Comparative Analysis:**

Increased long term liabilities, primarily pension liabilities due to the implementation of GASB 67 and 68, caused a decrease in Net Position as reported for the primary government for the year ended June 30, 2015 despite reductions to OPEB liabilities in the same period.

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

This financial report is to provide our citizens and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the City Treasurer, Wendy Wilton, at the Treasurer's Office, 802-773-1800 x231, by email at [wendyw@rutlandcity.org](mailto:wendyw@rutlandcity.org) or on the web at [www.rutlandcity.org](http://www.rutlandcity.org).

## FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rutland Redevelopment Authority
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and equivalents	\$ 7,090,872	\$ 580,561	\$ 7,671,433	\$ 143,982
Receivables	1,647,256	2,556,844	4,204,100	996
Investments	723,842	-	723,842	-
Prepaid expenses	143,996	74,730	218,726	149
Inventories	37,992	140,624	178,616	-
Inter-fund balances	547,216	(560,402)	(13,186)	-
Total current assets	<u>10,191,174</u>	<u>2,792,357</u>	<u>12,983,531</u>	<u>145,127</u>
<b>Non-current Assets</b>				
Notes and mortgages receivable	1,417,357	-	1,417,357	-
Capital assets not being depreciated				
Land	4,030,473	385,141	4,415,614	-
Capital assets, net of depreciation	15,927,884	36,508,686	52,436,570	-
Total non-current assets	<u>21,375,714</u>	<u>36,893,827</u>	<u>58,269,541</u>	<u>-</u>
Total assets	<u>31,566,888</u>	<u>39,686,184</u>	<u>71,253,072</u>	<u>145,127</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	427,813	761,017	1,188,830	337
Accrued expenses	345,174	586,232	931,406	5,862
Deferred revenue	79,216	-	79,216	-
Due to the City	-	-	-	12,466
Current portion of long-term debt	254,653	1,331,164	1,585,817	-
Total current liabilities	<u>1,106,856</u>	<u>2,678,413</u>	<u>3,785,269</u>	<u>18,665</u>
<b>Non-current Liabilities</b>				
<b>Long-term liabilities</b>				
Net pension liability	19,845,756	-	19,845,756	-
Sick and vacation liability	2,303,391	-	2,303,391	-
Other post employment liability	4,721,865	2,277,118	6,998,983	-
Long-term debt	2,192,920	10,753,337	12,946,257	-
Total non-current liabilities	<u>29,063,932</u>	<u>13,030,455</u>	<u>42,094,387</u>	<u>-</u>
Total liabilities	<u>30,170,788</u>	<u>15,708,868</u>	<u>45,879,656</u>	<u>18,665</u>
<b>NET POSITION</b>				
Invested in capital assets, net	17,510,784	24,809,326	42,320,110	-
Restricted for:				
Notes and mortgages receivable	1,417,357	-	1,417,357	-
Specific purposes	5,331,667	30,000	5,361,667	-
Unrestricted	(22,863,708)	(862,010)	(23,725,718)	126,462
Total net position	<u>\$ 1,396,100</u>	<u>\$ 23,977,316</u>	<u>\$ 25,373,416</u>	<u>\$ 126,462</u>

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Functions and Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Capital Grants and Contributions	Governmental Activities		
Governmental activities							
General government	\$ 6,965,075	\$ 563,453	\$ -	\$ -	(6,401,622)	\$ -	263,889
Public safety	8,809,996	435,681	122,061	62,675	(8,189,579)	-	-
Highway and streets	3,143,114	7,547	-	634,409	(2,501,158)	-	-
DPW administration	963,262	1,568	-	-	(961,694)	-	-
Economic development	379,918	150,939	-	-	(228,979)	-	-
Culture and recreation	2,431,741	466,668	-	65,952	(1,899,121)	-	-
Total governmental activities	22,693,106	1,625,856	122,061	763,036	(20,182,153)	-	263,889
Business-type activities							
Water/Sewage Disposal/Parking/Transit Ctr	6,326,849	8,797,373	-	-	-	2,470,524	-
Total primary governmental	29,019,955	10,423,229	122,061	763,036	(20,182,153)	2,470,524	-
Component Unit							
Rutland Redevelopment Authority	\$ 447,686	\$ -	\$ -	\$ -	\$ -	\$ -	(183,797)
General revenues:							
Property taxes					16,321,291	-	16,321,291
Rooms and meals tax					495,301	-	495,301
Investment earnings					238,442	-	238,442
Change in other post employment benefits					518,627	112,541	631,168
Other revenue					252,179	163,073	415,252
Transfers in (out)					978,560	(978,080)	480
Total general revenues and transfers					18,804,400	(702,466)	18,101,934
Change in net position					(1,377,753)	1,768,058	390,305
Net Position - June 30, 2014					4,914,555	22,209,258	27,123,813
Prior period adjustment					(2,140,702)	-	(2,140,702)
Net position - beginning, restated					2,773,853	22,209,258	24,983,111
Net position - ending					\$ 1,396,100	\$ 23,977,316	\$ 25,373,416

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

CITY OF RUTLAND, VERMONT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

Total Fund Balances - Governmental Funds	\$ <u>8,134,740</u>
Capital assets in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	61,737,479
Accumulated depreciation has not been included in the governmental fund financial statements.	(41,779,122)
Accrued liabilities represent non-current activity and are not reported in the governmental funds, however, are included in the Statement of Net Position.	(26,871,011)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,447,574)
Long-term liabilities related to pension obligations that are not included in the governmental financial statements.	(36,289)
Other long-term assets, such as notes and property taxes receivables, are not available to pay for current period expenditures and, therefore, are not included in the funds.	<u>2,657,877</u>
Net Position of Governmental Activities	\$ <u><u>1,396,100</u></u>

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

CITY OF RUTLAND, VERMONT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Total Net Changes in Fund Balances - Governmental Funds	\$ <u>573,148</u>
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is capital outlay costs incurred in the current year.	1,933,402
Depreciation is not recognized as an expense in governmental funds and does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(1,053,782)
Changes to Other Post Employment Benefits accrued expenses, do not affect current financial resources and, therefore, are not reported as financial activity in the governmental funds.	582,557
Unfunded actuarial pension liability is not recognized as an expense in the governmental funds and does not require the use of current financial resources; however, the total unfunded pension liability is included in the government wide financial statements.	(3,297,307)
Long-term notes receivable do not require current financial resources and are not reported in the fund financial statements; however, gain (loss) on recognition of the net present value of these notes is included in the government wide financial statements.	89,475
Revenues and receivables in the statement of activities that do not provide current resources are not reported as revenues in the fund financial statements	(49,719)
Repayment of debt is reported in the fund financial statements but is removed from the government-wide Statement of Activities	219,645
VEMERS Retirement Expenses to be paid in future periods reported do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds.	(25,172)
Principal disbursement and repayment of debt in governmental funds is reported in the fund financial statements but is removed from the government-wide Statement of Activities.	<u>(350,000)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(1,377,753)</u></u>

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

CITY OF RUTLAND, VERMONT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,779,865	\$ 4,311,006	\$ 7,090,871
Receivables	405,379	1,357	406,736
Investments	-	723,842	723,842
Prepaid expenses	143,996	-	143,996
Inventory	37,992	-	37,992
Due from other funds	1,168,812	140,337	1,309,149
Total assets	<u>4,536,044</u>	<u>5,176,542</u>	<u>9,712,586</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	353,235	74,577	427,812
Accrued expenditures	308,885	-	308,885
Deferred revenue	79,216	-	79,216
Due to other funds	-	761,933	761,933
Total liabilities	<u>741,336</u>	<u>836,510</u>	<u>1,577,846</u>
 <b>Fund balances</b>			
Nonspendable	181,988	-	181,988
Restricted	682,649	-	682,649
Committed	194,047	4,340,032	4,534,079
Assigned	114,939	-	114,939
Unassigned	2,621,085	-	2,621,085
Total fund balances	<u>3,794,708</u>	<u>4,340,032</u>	<u>8,134,740</u>
Total liabilities and fund balances	<u>\$ 4,536,044</u>	<u>\$ 5,176,542</u>	<u>\$ 9,712,586</u>

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

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Taxes - general	\$ 15,807,284	\$ -	\$ 15,807,284
Delinquent tax, penalties and interest	202,890	-	202,890
Fines and forfeitures	192,373	-	192,373
Rooms and meals tax	495,301	-	495,301
PILOT	515,974	-	515,974
Licenses and permits	203,228	-	203,228
Federal grants	271,284	-	271,284
State grants	402,616	-	402,616
Charges for services	904,631	211,359	1,115,990
Investment earnings	27,527	16,250	43,777
Rental income	39,958	-	39,958
Donations	19,315	-	19,315
Proceeds from borrowing and repayment	850,000	54,971	904,971
Tax sale	63,109	-	63,109
Miscellaneous	337,345	16,624	353,969
Total revenues	<u>20,332,835</u>	<u>299,204</u>	<u>20,632,039</u>
Expenditures			
Executive	215,265	-	215,265
Legislative	64,307	-	64,307
City Clerk	388,381	-	388,381
City Treasurer	624,700	-	624,700
City Attorney	161,480	-	161,480
City Assessor	183,923	-	183,923
Building and zoning	329,846	-	329,846
Libraries	691,929	-	691,929
Police department	5,468,145	-	5,468,145
Fire department	3,225,757	-	3,225,757
Highways	2,696,489	-	2,696,489
Street lighting	678,768	-	678,768

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

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
(continued)			
Catch basins	105,839	-	105,839
Community development	253,501	-	253,501
Recreation administration	490,399	-	490,399
DPW administration	926,216	-	926,216
Elections	21,727	-	21,727
Government buildings	438,504	-	438,504
Loan disbursements	-	50,000	50,000
Operations	19,870	648,442	668,312
General recreation maintenance	966,124	-	966,124
Giorgetti Park	145,572	-	145,572
Godnick Center	39,609	-	39,609
White Playground	63,283	-	63,283
Vehicle maintenance	541,639	-	541,639
Miscellaneous expense	320,823	-	320,823
Appropriations	222,755	-	222,755
Debt service	1,054,158	-	1,054,158
Total expenditures	<u>20,339,009</u>	<u>698,442</u>	<u>21,037,451</u>
Excess of revenues over (under) expenditures	<u>(6,174)</u>	<u>(399,238)</u>	<u>(405,412)</u>
Other financing sources (uses)			
Transfers in (out)	<u>996,010</u>	<u>(17,450)</u>	<u>978,560</u>
Total other financing sources (uses)	<u>996,010</u>	<u>(17,450)</u>	<u>978,560</u>
Net change in fund balances	<u>989,836</u>	<u>(416,688)</u>	<u>573,148</u>
Fund balances, June 30, 2014	<u>2,804,872</u>	<u>4,756,720</u>	<u>7,561,592</u>
Fund balances, June 30, 2015	<u>\$ 3,794,708</u>	<u>\$ 4,340,032</u>	<u>\$ 8,134,740</u>

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
JUNE 30, 2015

	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Transit Center Mgmt Fund	Total Enterprise Funds
<b>ASSETS</b>					
Current Assets					
Cash	\$ 403,391	\$ -	\$ 177,170	\$ -	\$ 580,561
Accounts receivable, net of allowance	1,085,672	1,338,639	33,846	98,687	2,556,844
Due from other funds	5,945	-	-	-	5,945
Prepaid expenses	12,894	13,326	20,510	28,000	74,730
Inventories	111,352	29,272	-	-	140,624
Total current assets	1,619,254	1,381,237	231,526	126,687	3,358,704
Non-current Assets					
Property and equipment, net of accumulated depr	14,752,253	21,738,445	215,058	188,071	36,893,827
Total non-current assets	14,752,253	21,738,445	215,058	188,071	36,893,827
Total assets	16,371,507	23,119,682	446,584	314,758	40,252,531
<b>LIABILITIES AND NET POSITION</b>					
Current Liabilities					
Accounts payable	55,258	598,514	5,531	101,715	761,018
Accrued expenses	290,805	289,264	6,163	-	586,232
Due to other funds	-	386,566	-	179,781	566,347
Current portion of long-term debt	612,871	718,293	-	-	1,331,164
Total current liabilities	958,934	1,992,637	11,694	281,496	3,244,761

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
JUNE 30, 2015

	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Transit Center Mgmt Fund	Total Enterprise Funds
(continued)					
Non-current Liabilities					
Other post employment benefits	936,223	1,104,532	236,363		2,277,118
Long-term debt	3,986,298	6,767,039	-	-	10,753,337
Total non-current liabilities	4,922,521	7,871,571	236,363	-	13,030,455
Total liabilities	5,881,455	9,864,208	248,057	281,496	16,275,216
Net Position					
Invested in capital assets, net of related debt	10,153,084	14,253,113	215,058	188,071	24,809,326
Assigned	30,000	-	-	-	30,000
Unrestricted	306,968	(997,639)	(16,531)	(154,809)	(862,011)
Total net position	\$ 10,490,052	\$ 13,255,474	\$ 198,527	\$ 33,262	\$ 23,977,315

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Transit Center Mgmt Fund	Total Enterprise Funds
Operating revenues					
Charges for services	\$ 3,590,025	\$ 4,804,738	\$ 160,690	\$ 241,920	\$ 8,797,373
Miscellaneous income	97,471	55,892	8,218	1,491	163,072
Total operating revenues	<u>3,687,496</u>	<u>4,860,630</u>	<u>168,908</u>	<u>243,411</u>	<u>8,960,445</u>
Operating expenses					
Operating, maintenance, and general	1,482,926	3,078,946	120,957	339,180	5,022,009
Depreciation	429,585	600,572	11,244	9,898	1,051,299
Total operating expenses	<u>1,912,511</u>	<u>3,679,518</u>	<u>132,201</u>	<u>349,078</u>	<u>6,073,308</u>
Operating income (loss)	<u>1,774,985</u>	<u>1,181,112</u>	<u>36,707</u>	<u>(105,667)</u>	<u>2,887,137</u>
Nonoperating income/(expense)					
Interest expense	(169,826)	(83,715)	-	-	(253,541)
Change in OPEB liability	128,088	(8,650)	(6,897)	-	112,541
Total nonoperating income/(expenses)	<u>(41,738)</u>	<u>(92,365)</u>	<u>(6,897)</u>	<u>-</u>	<u>(141,000)</u>
Income (loss) before transfers	<u>1,733,247</u>	<u>1,088,747</u>	<u>29,810</u>	<u>(105,667)</u>	<u>2,746,137</u>

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

CITY OF RUTLAND, VERMONT  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS - ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Transit Center Mgmt Fund	Total Enterprise Funds
(continued)					
Operating transfers in (out)	(721,200)	(241,880)	(15,000)	-	(978,080)
Change in net position	1,012,047	846,867	14,810	(105,667)	1,768,057
Total net position - June 30, 2014	9,478,005	12,408,607	183,717	138,929	22,209,258
Total net position, June 30, 2015	\$ 10,490,052	\$ 13,255,474	\$ 198,527	\$ 33,262	\$ 23,977,315

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Transit Center Mgmt Fund	Total
Cash received from customers	\$ 3,578,493	\$ 4,861,911	\$ 171,215	\$ 144,500	\$ 8,756,119
Cash paid for supplies, services and utilities	(804,037)	(1,374,802)	(52,063)	(408,653)	(2,639,555)
Cash paid for payroll and related expenses	(682,436)	(1,276,182)	(88,556)	-	(2,047,174)
Cash paid for rent and operating leases	-	(5,700)	(4,200)	-	(9,900)
Cash received from miscellaneous income	41,844	-	7,780	-	49,624
Cash deposits received from customers	7,820	-	-	-	7,820
Cash paid to customers - refunds and deposit returns	(7,820)	-	-	-	(7,820)
Cash received from employees - reimbursements	2,117	3,183	-	-	5,300
Net cash provided (used) by operating activities	<u>2,135,981</u>	<u>2,208,410</u>	<u>34,176</u>	<u>(264,153)</u>	<u>4,114,414</u>
Cash Flows From Non-capital Financing Activities					
Cash received (paid) through operating transfers	(721,200)	(241,879)	(15,000)	-	(978,079)
Cash advanced from (repaid to) pooled cash	(5,945)	(67,650)	-	179,781	106,186
Net cash provided (used) by non-capital and related financing activities	<u>(727,145)</u>	<u>(309,529)</u>	<u>(15,000)</u>	<u>-</u>	<u>(871,893)</u>
Cash Flows From Capital and Related Financing Activities					
Cash proceeds from capital debt	-	2,991,827	-	-	2,991,827
Cash paid for acquisition/construction of capital assets	(390,860)	(4,396,680)	-	-	(4,787,540)
Cash paid for principal on capital debt	(610,895)	(409,753)	-	-	(1,020,648)
Cash paid for interest on capital debt	(169,826)	(84,275)	-	-	(254,101)
Net cash provided (used) by capital and related financing activities	<u>(1,171,581)</u>	<u>(1,898,881)</u>	<u>-</u>	<u>-</u>	<u>(3,070,462)</u>

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

(continued)					
Cash Flows From Investing Activities	-	-	-	-	-
Net increase (decrease) in cash	<u>237,256</u>	<u>-</u>	<u>19,176</u>	<u>(84,372)</u>	<u>172,060</u>
Cash at June 30, 2014	<u>166,135</u>	<u>-</u>	<u>157,994</u>	<u>84,372</u>	<u>408,501</u>
Cash at June 30, 2015	<u>403,391</u>	<u>-</u>	<u>177,170</u>	<u>-</u>	<u>580,561</u>
Reconciliation of Operating Income to Net Cash Flows					
Operating activities	1,774,985	1,181,112	36,707	(105,667)	2,887,137
Operating income					
Adjustments to reconcile operating income to cash flows from operating activities					
Depreciation expense	429,585	600,572	11,244	9,898	1,051,299
(Increase) decrease in accounts receivable	(47,384)	14,297	10,126	(98,687)	(121,648)
(Increase) decrease in inventories	(7,847)	(9,112)	-	-	(16,959)
(Increase) decrease in prepaids	(5,892)	(553)	(18,759)	(69,697)	(94,901)
Increase (decrease) in accounts payables	4,926	412,752	5,466	-	423,144
Increase (decrease) in accrued expenses	(12,392)	9,342	(10,608)	-	(13,658)
Net Adjustments	<u>360,996</u>	<u>1,027,298</u>	<u>(2,531)</u>	<u>(158,486)</u>	<u>1,227,277</u>
Net cash provided (used) by operating activities	<u>\$ 2,135,981</u>	<u>\$ 2,208,410</u>	<u>\$ 34,176</u>	<u>\$ (264,153)</u>	<u>\$ 4,114,414</u>

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Pension Trust Fund	Private-Purpose Trust Funds			Agency Funds	
		Property Escrow Fund	Mayor's Emergency Fuel Fund	Rec. Activities Fund	M. Garofano Memorial Fund	Grace Stoolfire Trust Fund
<b>ASSETS</b>						
Cash and cash equivalents	7,447,172	47,988	15,392	168,563	18,475	44,039
Investments	68,454,752	-	-	-	-	297,712
Due from other funds	-	13,178	-	4,008	-	-
Total assets	75,901,924	61,166	15,392	172,571	18,475	341,751
<b>LIABILITIES</b>						
Due to other funds	-	-	-	-	4,000	-
Accounts payable	-	-	-	5,325	-	-
Escrowed property	-	61,087	-	-	-	-
Held for the benefit of others	-	-	-	-	14,475	341,751
Total liabilities	-	61,087	-	5,325	18,475	341,751
<b>NET POSITION</b>						
Benefits to be provided	75,901,924	-	-	-	-	-
Assets held in trust for others	-	79	15,392	167,246	-	-
Total net position	\$ 75,901,924	\$ 79	\$ 15,392	\$ 167,246	\$ -	\$ -

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

CITY OF RUTLAND, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Pension	Private- Purpose		
	Trust Fund	Trust Funds		
	Employee	Property	Emergency	Rec.
	Pension	Escrow	Fuel	Activities
	Fund	Fund	Fund	Fund
<b>Additions</b>				
Member contributions	\$ 3,334,028	\$ -	\$ -	\$ -
City contributions	707,081	-	-	-
Contributions	-	-	-	33,453
Donations	-	-	900	36,130
Investment earnings				
Interest and dividends	1,408,130	79	7	81
Net increase (decrease) in investment fair value	1,385,193	-	-	-
Total investments earnings	2,793,323	79	7	81
Total additions	6,834,432	79	907	69,664
<b>Deductions</b>				
Retirement benefits	5,218,774	-	-	-
Disbursements	-	-	-	58,097
Total deductions	5,218,774	-	-	58,097
Changes in net position	1,615,658	79	907	11,567
Transfers in (out)	-	-	-	(480)
Total other financing sources (uses)	-	-	-	(480)
Net changes in net assets	1,615,658	79	907	11,087
Net position, beginning	74,286,266	-	14,485	156,159
Net position, ending	\$ 75,901,924	\$ 79	\$ 15,392	\$ 167,246

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

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

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

**A. Reporting Entity**

The City of Rutland, Vermont is a municipal government with an elected mayor and Board of Aldermen. The accompanying financial statements present the government and its component unit entity for which the government is considered to be financially accountable. The component unit is a discretely presented component unit reported in a separate column of the government-wide financial statements.

The accounting policies of the City of Rutland, Vermont conform to generally accepted accounting principles applicable to governmental units.

The City of Rutland, Vermont (the City), has adopted the accounting and financial reporting standards established by the Governmental Accounting Standards Board (GASB). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 1989, unless those pronouncements conflict with or contradict GASB statements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**B. Reporting Activities**

The City, for financial reporting purposes, includes all of the funds relevant to the operations of the City of Rutland, Vermont. The financial statements presented herein do not include entities which have been formed under applicable state laws or separate and distinct units of government apart from the City of Rutland, Vermont.

The financial statements of the City do not include those of separately administered entities that are not controlled by or dependent on the City. Such control or dependence (oversight responsibility) is determined on the basis of five basic characteristics: financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the foregoing criteria, the financial statements of the following entities are excluded from the accompanying financial statements:

Rutland Public School District	Rutland Free Public Library Association
Rutland Regional Planning Commission	Rutland County Solid Waste District
Rutland Regional Ambulance Service, Inc.	Marble Valley Regional Transit Authority
Rutland Area Visiting Nurses Association and Hospice	

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Reporting Activities (continued)**

These entities are not part of the City's reporting entity because the City exercises no oversight responsibility and has no accountability for fiscal matters. The significant factors for exclusion are: the directors are elected either directly by the registered voters or internally from the boards; the City cannot significantly influence the entities operations; the entities have distinct budgetary authority; the entities control surpluses and deficits; the City is not responsible for the entities debts; and the entities are responsible for fiscal management and fee determination.

Based on the same criteria, the following entity is considered a component unit of the City of Rutland:

Rutland Redevelopment Authority

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

The organization levies an assessment tax which is collected by the City of Rutland.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information of the City as a whole. Individual funds are not displayed; but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

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

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Government-Wide and Fund Financial Statements (continued)**

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

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

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

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

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

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

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

**Note 1. Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The City has fourteen special revenue funds: the Hospital Fund is for improvements and beautification in the southeast Neighborhood; the Equipment Replacement Fund is for replacement of police, recreation and DPW equipment; the Field Maintenance Fund is to maintain recreational fields; the Capital Improvement Fund is for major capital improvements to sewer infrastructure with the source of this funding from Sewer Allocation Fees; the Fire Equipment Fund is to purchase major equipment for the Fire Department; the Zamias Impact Fund is to foster economic activity to offset the economic impact of the Diamond Run Mall; the Water & Sewer Vehicle Fund is to purchase vehicles for the proprietary funds; the White's Pool Fund is to fund pool facility upgrades at White Park; the Giorgetti Fund is for development and improvement of Giorgetti Park; the Records Preservation Fund is to sustain City public records; the CSO Sinking Fund is to provide future sewer projects funding based on a 2004 resolution of the Board of Alderman; the Bridge Fund is for bridge repairs sourced by the unused portion of the Department of Public Works bridge repair budget from each year to pay for major bridge work and designated proceeds from borrowing as necessary; the Sidewalk Fund is for building and repairing City sidewalks; the Water System Capital Fund was established to fund future water system capital improvements.

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

**Note 1. Summary of Significant Accounting Policies (continued)**

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

Permanent Funds: Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry. The City has two permanent funds: the VCDP Notes Receivable Fund, formerly the Maples Fund, used to finance a low-income housing project; and the Downtown Special Business District Revolving Loan Fund, used for funding building improvements, real estate acquisitions in Downtown Rutland, or business startup loans.

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

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

Pension Trust Fund – Used to report resources that are required to be held in trust for members and beneficiaries of the City's Defined Benefit pension plan. The City's only Pension fund is the Employee Pension Fund.

Private-Purpose Trust Funds: To account for assets held by the City in trustee capacity for individuals, private organizations, and other governments. Private-purpose trust funds are accounted for in the same manner as proprietary funds. The City maintains three private-purpose fiduciary funds: the Property Escrow Fund used to account for tax-sale activity, the Mayor's Emergency Fuel Fund used to provide fuel assistance to the needy at the Mayor's discretion, and the Recreation Activities Fund used to maintain support for specific recreational activities and related recreational group assets.

Agency Funds: To account for situations where the government's role is purely custodial. All assets reported in agency funds are offset by liabilities to party's on whose behalf they are held. Agency funds do not present results of operations or have a measurement focus. Agency funds use the full accrual basis of accounting. The City maintains two agency funds. The Grace Stoolfire Trust Fund is used to support music education; and the M. Garafano Memorial Fund to collect donations to commemorate the memory of a City employee who died in the line of service to the City.

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

1. Cash and cash equivalents: Cash balances of the City's General Fund and Proprietary Funds are pooled and used by the City Treasurer for operating activities. The City considers all short-term investments of ninety (90) days or less to be cash equivalents. The City has not adopted formal deposit and investment policies.

2. Investments: City investments are made as allowed by State statute. Investments with readily determinable fair values are reported at their fair value on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables: Receivables are shown net of an allowance for noncollection. Estimated losses are based on the judgment of management and a review of the current status of existing receivables. Also included are unbilled revenues, consisting of various revenues earned as of June 30, 2015 but not yet billed as of that date.

4. Inventories and prepaid expenditures/expenses: Inventory values are determined by physical count and valued at the lower of cost or market. Inventories consist of supplies and chemicals.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Interfund receivables/payables and internal activity: Transactions between funds representative of lending/borrowing arrangements and are outstanding at the end of the fiscal year are referred to as interfund receivables/payables. As established by City Ordinance, the City Treasurer is authorized to affect interfund transfers as necessary for operational requirements and subsequently record and report this activity to the Board of Aldermen. The City approved a policy that interfund borrowing will not bear interest. Further, the City budgets transfers between departments within the General Fund. These transfers represent a cost shift between departments and are eliminated in these financial statements. Interfund due from/due to balances between individual funds of the City are presented in the fund financial statements but are eliminated for the government-wide Statement of Activities. The balance of activity between governmental and business-type activities is presented as internal balances in the government-wide Statement of Activities.

6. Capital assets: The City's property, equipment, land and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are reported in the fund financial statements. Donated assets are stated at fair value as of the date donated. The City generally capitalizes assets with an initial cost above \$5,000.

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

**Note 1. Summary of Significant Accounting Policies (continued)**

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

6. Capital assets (continued): The costs of normal maintenance and repairs that do not add to asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvement	20 - 50
Reservoirs	100
Equipment	5 -15

7. Compensated absences: The City permits employees to accumulate earned but unused vacation, sick and compensation time benefits. Per the City Charter, vacation pay must be used or is lost at the end of each employee's anniversary date. Sick time may be accumulated and, if unused, is paid at termination. All sick and vacation pay is accrued and reported in the government-wide and proprietary fund financial statements. Compensation time must be used, cashed out or is lost at the end of each fiscal year.

8. Long-term obligations: In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

9. Net Position and Fund Equity:

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

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

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

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

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

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

**Note 1. Summary of Significant Accounting Policies (continued)**

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

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

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

**F. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Currently, the City has only one item that qualifies for reporting in this category, Deferred Net Pension Liability.

In addition to liabilities, the Statement of Net 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 and so will not be recognized as an inflow of resources until that time. The City has two types of these items that qualify for reporting in this category, unavailable property tax revenue and unavailable notes receivable, which are reported in the Statement of Net Position. These amounts are recognized as an inflow of resources in the period that the amounts become available.

**G. Other Accounting Policies**

1. Authorized expenditures: The City does not utilize encumbrance accounting for its governmental funds. Encumbrances represent commitments related to incomplete contracts for

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

**Note 1. Summary of Significant Accounting Policies (continued)**

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

1. Authorized expenditures (continued): goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, would be employed as an extension of the formal budgetary integration in the General Fund. In accordance with the City Charter, all encumbrances expire at fiscal yearend.

2. Operating transfers: Operating transfers are legally authorized transfers of resources from one fund to another in support of operations or long-term activities.

3. Capitalized interest: Interest expense incurred in connection with various construction projects has been capitalized in the enterprise funds or the capital project fund.

4. Interest rate risk: Changes in market interest rates affect the fair value of an interest-bearing investment over time. The City does not have a deposit policy regarding interest rate risk.

5. Credit risk: The City is exposed to various risks including credit risk, custodial credit risk and concentration of credit risk. The City does not have policies regarding these risks.

6. Property taxes: The City is responsible for assessing, collecting, and distributing property taxes in accordance with State statutes. Property taxes are billed annually and payable in four installments throughout the year, based on the assessed value of property.

Property taxes attach as an enforceable lien on property when they remain unpaid after the final, 4<sup>th</sup> quarter due date. Taxes are levied during July of each year and are due and payable for each quarterly installment as established by City Charter.

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

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

8. Revenue recognition: The City defines the length of time available for purposes of revenue recognition by fund and revenue type. Property taxes, as outlined above, are recognized if

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

**Note 1. Summary of Significant Accounting Policies (continued)**

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

8. Revenue recognition (continued): collected within sixty days of yearend. Other revenues in the General Fund, such as Rooms and Meals taxes, fees, fines, rental and grant income are recognized when collected. Program revenue in the Recreation Fund is recognized when earned, as these fees are collected during the spring for services provided during summer months, subsequent to year end.

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

10. Implementation of New Accounting Standards

The City began implementing new Government Accounting Standards Board (GASB) Statements 67 - *Financial Reporting for Pension Plans*, and 68 - *Accounting and Financial Reporting for Pensions* during the year ended June 30, 2014 and completed the implementation of these two standards for the year ended June 30, 2015.

**Note II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of differences between the governmental fund balance sheet and the government-wide financial statement of net position.**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental fund and net assets – governmental activities as reported in the government-wide financial statement of net position. The total adjustment between the fund balance sheet and government-wide statement of net assets is a decrease of \$6,738,640:

Total Fund balances – governmental Funds	\$	<u>8,134,740</u>
Capital assets		61,737,479
Accumulated depreciation		(41,779,122)
Accrued liabilities		(26,871,011)
Long-term bonds payable		(2,447,574)
Pension obligation		(36,289)
Other long-term assets		<u>2,657,877</u>
Net decrease		<u>(6,738,640)</u>
Total Net Position of Governmental Activities	\$	<u>1,396,100</u>

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

**Note II. Reconciliation of government-wide and fund financial statements (continued)**

**B. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of net position.**

The total adjustment between the statement of revenues, expenditures, and changes in fund balances and the statement of activities is a decrease of \$1,950,901, as follows:

Total Net Changes in Fund Balances – Governmental Funds	\$	573,148
Capital outlays		1,933,402
Depreciation expense		(1,053,782)
Change to OPEB liability		582,557
Unfunded actuarial pension liability		(3,297,307)
Changes in Long-term notes receivable		89,475
Noncurrent revenues		( 49,719)
Proceeds from borrowing		( 350,000)
VMERS Retirement Expense		( 25,172)
Loan disbursements		<u>219,645</u>
Net decrease		(1,950,901)
Total Change in Net Position	\$	<u>(1,377,753)</u>

**Note III. Stewardship, compliance, and accountability**

**A. Budgetary accounting**

General governmental financial activity is controlled by a formal integrated budgetary system in accordance with various legal requirements which govern the City's operations. The budget of the City is prepared by the Mayor, reviewed by the Board of Aldermen and approved at voters' discretion. All budget appropriations lapse at yearend.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2015, General Fund actual revenues exceeded budgeted revenues by \$1,713,950 and actual expenditures exceeded budgeted expenditures by \$380,642, resulting in a net decrease of \$6,174 before operating transfers out of the General Fund of \$996,010 to other funds. The net increase in the General Fund of actual revenues over expenditure was \$989,836.

**C. Deficit/surplus fund equity**

The City's proprietary funds each have surplus net assets; at a the total \$23,977,316, with \$24,809,326 invested in capital assets, \$30,000 assigned, and an unrestricted deficit for the four funds of \$862,010. The City plans to resolve these deficits through normal operations.

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

**Note IV. Detailed notes on all funds**

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

At June 30, 2015, the carrying amount of the City's deposits with financial institutions was \$15,413,062 and the total balance reported by these institutions was \$15,415,559. These deposits are held in checking accounts, savings accounts, and money market accounts and investment accounts. Of the funds on deposit, \$4,753,521 - was insured by the Federal Deposit Insurance Corporation (FDIC), and \$ 3,214,867 - was collateralized.

The remaining \$ 7,447,171 was held in the City's investment account managed by Prudential Retirement Insurance and Annuity Co. (PRIAC). These amounts are guaranteed for principal and accrued interest by the PRIAC through the Securities Investor Protection Corporation (SIPC). A federally mandated, non-profit, member-funded, corporation created under the Securities Investor Protection Act of 1970. It is a Self-regulatory organization (SRO) which mandates membership by most US-registered broker-dealers.

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

The Agent for the City's retirement fund is authorized to invest funds held in the name of the City's pension fund in savings or trust departments in the State of Vermont; in building and loan or cooperative banks incorporated under State of Vermont laws; in federal savings and loan associations located in the State of Vermont; in bonds, notes, or other obligations of the U. S. government or legal obligations of any state political subdivision; and in stocks and bonds. All trust fund investments are stated at market value. At June 30, 2015, pension fund investments were valued at \$68,454,752, determined by market prices at June 30, 2015, are as follows:

U.S corporate Stock	\$ 36,048,133
International Stock	10,689,609
Corporate Bonds	<u>21,717,010</u>
	<u>\$ 68,454,752</u>

The City has investments in the Grace Stoolfire Trust Fund, used for the purpose of the fund. The Grace Stoolfire Trust Fund investments are held as equity securities and U. S. government obligations and are stated at fair value as of yearend and have not been rated as to credit risk.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the City's investments to be categorized to give an indication of the level of risk assumed by the City at yearend. Category 1 includes investments that are insured or registered or securities that are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the City's name. At June 30, 2015, the City's investments in the Grace Stoolfire Trust Fund were all Category 1.

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

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

**B. Allowance for Uncollectible Receivables**

Delinquent taxes represent property taxes outstanding at June 30, 2015. The City has the legal right to force sale of the property to collect these taxes; therefore, the City has not established an allowance for uncollectible taxes. Water and sewer charges receivables represent balances at June 30, 2015. The City has the legal right to force sale of the property to recover sewer and water fees and; therefore, at June 30, 2015, the City has not established an allowance for uncollectible receivables. Other accounts receivable represent amounts due for grants and notes receivable due to the City. Based on past experience and the existence of formal agreements, the City has not established an allowance for these uncollectible receivables. Parking ticket receivables represent the balance at June 30, 2015 for those tickets issued for less than one year. The City has established an allowance for uncollectible parking ticket receivables for all tickets older than one year from the date of issue as of June 30, 2015.

**C. Mortgages and Notes Receivable**

The City annually revalues its notes receivable to present value. These are presented in two categories: 1) notes for which payments are being made and the note has not reached maturity are presented at face value; and 2) notes for which payments are deferred and the City uses an inflation index to calculate a net present value. The two columns below present the notes receivable face value balances and the City's expected realizable values at June 30, 2015:

<u>Description</u>	<u>06/30/2015</u> Face Value Balance	<u>06/30/2015</u> Realizable Amount
0% 2001 Columbian Avenue note receivable with a 25-year deferral with the full balance due June 2026.	\$ 280,200	\$ 221,800
0% 1998 Maples LLP note receivable for \$487,070 between the State of Vermont and the City of Rutland with payments made over a 20-year period calculated as a function of net cash flow from the activity with final balance due December 2018.	479,673	219,152
2% 2009 Deborah Dubay note receivable with quarterly payments of principal and interest of \$290 and a final balloon payment due in August 2019. This loan is sourced from the City's SBD Revolving Loan Fund.	9,291	9,291
0% 2008 Elizabeth Pimpare note receivable with semi-annual payments of principal of \$1,500 with final payment due in January 2018. This loan is sourced from the City's SBD Revolving Loan Fund.	9,000	9,000

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

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

**C. Mortgages and Notes Receivable (continued)**

<u>Description</u>	<u>06/30/2015 Face Value Balance</u>	<u>06/30/2015 Realizable Amount</u>
2% 2009 S & E Enterprises, Inc. (C Street Holdings) note receivable monthly principal and interest payments of \$352 with final payment due in August 2019. This loan is sourced from the City's SBD Revolving Loan Fund.	16,877	16,877
2% 2010 Rutland County Court Diversion note receivable with monthly principal and interest payments of \$138 with final payment due in May 2020. This loan is sourced from the City's SBD Revolving Loan Fund.	7,625	7,625
2% 2010 John and Jerri Sabataso note receivable with monthly principal and interest payments of \$230 with final payment due in July 2020. This loan is sourced from the City's SBD Fund.	13,509	13,509
0% 2004 Tuttle Block Housing Limited Partnership note receivable with a 30-year deferral with the full balance due August 2034.	600,000	394,489
0% 1999 Rutland County Community Land Trust note receivable payable only upon sale of the building or a change in use. The note is forgiven over a term of 27 years with full forgiveness in 2026.	111,511	-
0% 2011 Rutland Housing Partnership note receivable with a 30-year deferral with the full balance due October 2040.	750,000	410,768
2% 2012 MKF Properties, LLC \$30,000 note receivable payable in monthly principal and interest payments of \$443 with final payment due in February 2018.	14,572	14,572
2% 2012 Romeo Family LLC \$13,000 note receivable payable in monthly principal and interest payments of \$228 with final payment due in December 2017.	6,658	6,658
0% Hickory Street \$147,000 note receivable with a 30 year deferral period. Balance due November 2043.	147,000	67,513

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

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

**C. Mortgages and Notes Receivable (continued)**

<u>Description</u>	06/30/2015 Face Value <u>Balance</u>	06/30/2015 Realizable <u>Amount</u>
2% 2014 Charles Wagenhiem \$30,000 note receivable payable in monthly installments of \$276 through March 2024.	<u>26,103</u>	<u>26,103</u>
Total long-term mortgages and notes receivable	\$ <u>2,472,019</u>	\$ <u>1,417,357</u>

**D. Endowment Fund**

The Giorgetti Fund includes an amount given to the City for the purposes of improvement and maintenance of Giorgetti Park. The City considers this an endowment and was established by the Giorgetti Trust in 2009 with the first donation.

1. Interpretation of Relevant Law: The Board of Aldermen has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift at the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Therefore, the City classifies as permanently restricted net assets as (a) the original value of gifts donated to the endowment (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remainder of the endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the City in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the City considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the City and the donor-restricted endowment
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the City
- g. The investment policies of the City

2. Funds with Deficiencies: There is no expectation that the fair value of assets associated with donor-restricted endowment will fall below the level that the donor or UPMIFA requires the City to retain. There are no deficiencies of this nature as of June 30, 2015.

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

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

**D. Endowment Fund (continued)**

3. Return Objectives and Risk Parameters: The City has adopted investment and spending policies for endowment assets that will preserve the principal amounts for uses consistent with the donor's purposes, and provide availability to principal in a timely fashion for utilization. There is no requirement that the funds be held in perpetuity if the funds are spent in accordance with the restrictions. Under this policy the Board of Finance determined to protect the principal by investing in fully collateralized certificates of deposit or money market accounts reported to the Board. While the return objective will be low, based on market rates, the risk of loss will also be low. Actual returns as of June 30, 2015 are based on returns provided for on-demand deposits. Actual returns will vary each year.

4. Strategies Employed for Achieving Objectives: To satisfy the goals of preservation of principal and availability, the City invests in fully collateralized bank instruments of short to medium duration during low return cycles and will invest in varying investment terms as rates rise or decline. The investments are structured through agreement with the bank that no early withdrawal penalty will be imposed providing the City with desired liquidity.

5. Spending Policy and How Investment Objectives Relate to Spending Policy: The City is not restricted in the amount that can be spent from the Endowment in any given year or period as long as the purposes of the amounts spent are consistent with the objectives of the donor. Therefore, the objectives of principal preservation and liquidity are of high importance.

**E. Individual Fund Interfund Receivable and Payable Balances**

Balances at June 30, 2015 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,168,812	\$ -
Field Maintenance Fund	220	-
Records Preservation Fund	1,126	-
Bridge Fund	-	114,769
CSO Sinking Fund	-	513,274
Capital Improvement Fund	16,250	-
Water System Capital Fund	-	120,500
Fire Equipment Fund	25,000	-
Equipment Replacement Fund	94,050	-
Water/Sewer Vehicle Fund	-	13,390
SBD RLF Fund	3,691	-
Water Fund	5,945	-
Sewage Disposal Fund	-	386,566

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

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

**E. Individual Fund Interfund Receivable and Payable Balances (continued)**

Balances at June 30, 2015 were as follows:

	<u>Receivables</u>	<u>Payables</u>
Transit Center Management Fund	-	179,781
Rec Activities Fund	4,008	-
Property Escrow Fund	13,178	-
M. Garofano Memorial Fund	-	4,000
	<u>\$ 1,332,280</u>	<u>\$ 1,332,280</u>

The City uses pooled cash to account for General Fund and its City's proprietary funds. The City Treasurer manages this activity through the use of interfund receivables and payables. The Treasurer provides the detail of this activity to the Board of Aldermen on a regular basis.

**F. Capital Assets Activity**

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Land, non-depreciable	\$ 3,900,616	\$ 129,857	\$ -	\$ 4,030,473
General services	2,394,459	96,203	-	2,490,662
Fire Department	3,961,358	-	-	3,961,358
Police Department	3,553,430	179,064	116,152	3,616,342
Department of Public Works	40,287,732	1,550,334	36,000	41,802,066
Recreation	4,792,267	110,295	-	4,902,562
Library	<u>914,215</u>	<u>19,801</u>	-	<u>934,016</u>
Total capital assets at cost	<u>\$ 59,804,077</u>	<u>\$ 2,085,554</u>	<u>\$ 152,152</u>	<u>\$ 61,737,479</u>
Less accumulated depreciation:				
<b>Governmental activities:</b>				
General services	\$ 878,915	\$ 45,765	\$ -	\$ 924,680
Fire Department	2,956,055	107,995	-	3,064,050
Police Department	2,101,345	207,484	98,750	2,210,079
Department of Public Works	32,913,134	615,443	36,000	33,492,577
Recreation	1,614,214	194,861	-	1,809,075
Library	<u>261,229</u>	<u>17,432</u>	-	<u>278,661</u>
Total accumulated depreciation	<u>40,724,892</u>	<u>1,188,980</u>	<u>134,750</u>	<u>41,779,122</u>
Capital assets, net of depreciation	<u>\$ 17,598,194</u>	<u>\$ 905,573</u>	<u>\$ 17,402</u>	<u>\$ 19,958,357</u>

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

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

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

Depreciation expense was charged to governmental functions as follows:

General government	\$ 45,765
Public safety	315,479
Highway and street	615,443
Culture and recreation	<u>212,293</u>
Total	<u>\$ 1,188,980</u>

	Beginning <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	Ending <u>Balance</u>
<b>Business-type activities:</b>				
Land, non-depreciable	\$ 385,141	\$ -	\$ -	\$ 385,141
Buildings	42,064,007	810,992	-	874,999
Infrastructure	1,519,967	21,781	-	1,541,748
Easements	115	-	-	115
Machinery & Equipment	3,980,201	89,924	-	4,070,125
Vehicles	-	74,910	29,157	45,753
Meters	1,456,357	90,546	-	546,903
Reservoirs	2,694,613	-	-	2,694,613
Current construction in progress	<u>361,017</u>	<u>4,260,926</u>	<u>560,979</u>	<u>4,060,964</u>
Total capital assets at cost	<u>52,461,418</u>	<u>5,349,079</u>	<u>590,136</u>	<u>57,220,361</u>
Less accumulated depreciation:	<u>(19,304,391)</u>	<u>( 1,051,300)</u>	<u>( 29,157)</u>	<u>(20,326,534)</u>
Capital assets, net	<u>\$ 33,157,027</u>	<u>\$ 4,297,779</u>	<u>\$ 560,979</u>	<u>\$ 36,893,827</u>

Proprietary depreciation expense was \$ 1,051,300.

**G. Interfund Operating Transfers**

The following are interfund operating transfers for the year ended June 30, 2015:

Transfers Out:							
	General	Non- Major Govt	Sewage Disposal	Water	Parking Meter	Rec Activities	Total
<u>Transfers In:</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Transfers</u>
General	-	27,500	669,010	669,010	15,000	480	1,381,000
Non-major Govt	263,721	23,409	278,711	320,000	-	-	885,841
Water Fund	40,797	195,500	31,513	-	-	-	267,810
Sewer Disposal	80,472	656,882	-	-	-	-	737,354
Total Transfers	<u>\$ 384,990</u>	<u>\$903,291</u>	<u>\$ 979,234</u>	<u>\$ 989,010</u>	<u>\$ 15,000</u>	<u>\$ 480</u>	<u>\$ 3,272,005</u>

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

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

**G. Interfund Operating Transfers (continued)**

The following are interfund operating transfers for each of the non-major governmental funds for the year ended June 30, 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
Zamias Impact Fund	\$ -	\$ 25,000
Sidewalk Fund	10,787	-
Bridge Fund	53,080	-
Capital Improvements Fund	65,000	-
CSO Sinking Fund	193,710	601,979
Water System Capital Fund	300,000	227,013
Fire Equipment Fund	40,000	-
Equipment Replacement Fund	183,245	23,390
Water/Sewer Vehicle Fund	40,000	23,390
SBD RLF Fund	-	2,519
VDCP Notes Receivable Fund	<u>19</u>	<u>-</u>
Total	<u>\$ 885,841</u>	<u>\$ 903,291</u>

Total operating transfers in and out for the non-major governmental funds are consistent with the detailed table of operating transfers for all funds. The total amount of transfers in is equal to the total amount of transfers out across all funds.

**H. Lease Agreements**

1. Capital leases – The City has entered into lease agreements for equipment. Capital assets include purchases by capital lease. Capital assets, acquired by lease agreements, have been capitalized in the amount of \$471,308. Annual depreciation for this year for the City's capital lease assets is \$19,110 and accumulated depreciation on this equipment totaled \$211,579.

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

	<u>Year</u>	<u>Lease Payments</u>
	2016	60,335
	2017	<u>30,607</u>
Total		\$ <u>90,942</u>

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

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

**H. Lease Agreements (continued)**

2. Operating leases -- The City has operating leases for real property in the form of land and building space. Each lease is at-will and may be cancelled by either party. There are no future minimum lease payments for these leases.

The City also has several operating leases for office copiers. The total of operating lease expense for 2015 was \$131,972. The City has the following future minimum lease payments for its operating leases:

<u>Year</u>	<u>Lease Payments</u>
2016	\$ 142,677
2017	71,272
2018	<u>46,498</u>
Total	\$ <u>260,447</u>

**I. Short-term Debt**

During the year ended June 30, 2015, the City borrowed \$500,000 on a Bond Anticipation Note and fully repaid the borrowing prior to yearend.

<u>06/30/14</u>	<u>Proceeds</u>	<u>Payments</u>	<u>06/30/15</u>
\$ -0-	\$ 500,000	\$ 500,000	\$ -0-

**J. Long-Term Debt**

**Governmental Activities**

General long-term debt activity for the year ended June 30, 2015 is as follows:

	<u>06/30/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/15 Balance</u>
5.414% Capital Improvement Bond – General Obligation - with annual principal payments of \$140,000 plus variable interest payments maturing December 2020.	\$ 980,000	\$ -	\$ 140,000	\$ 840,000
3.75% Library roof repair with annual principal payments of \$46,320 plus semi- annual interest payments maturing 2022.	370,560	-	46,311	324,249

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

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

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

	07/01/14			06/30/15
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2.45% Capital improvements note with annual principal payments of \$35,000 and annual accrued interest payments beginning November 2015 and ending November 2024.	-	350,000	-	350,000
3.53% Bridge bond with VMBB for City bridge work with annual principal payments of \$33,333 and semi-annual interest payments at a variable interest rate through December 2042.	<u>966,659</u>	<u>-</u>	<u>33,335</u>	<u>933,324</u>
Total governmental long-term debt:	<u>\$ 2,317,219</u>	<u>\$ 350,000</u>	<u>\$ 219,646</u>	<u>\$2,447,573</u>

**Business-type Activities**

Proprietary Funds notes and bonds payable consist of the following as of June 30, 2015:

	07/01/14			06/30/15
<u>Sewer Fund</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
0.00% CSO VMBB construction bond with principal only annual payments of \$160,000 maturing December 2026.	\$ 2,240,000	\$ -	\$ 160,000	\$ 2,080,000
2.75% Merchant's Bank Current Expense Note for the sewer portion of repayment of General Fund operating transfers with annual payments of \$150,000 plus interest maturing June 2015.	900,000	-	150,000	750,000
4.185% CSO Phase 2A VMBB construction bond with principal payments of \$80,000 and with variable semi-annual interest payments maturing December 2027.	1,120,000	-	80,000	1,040,000

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

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

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

	07/01/14			06/30/15
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
2% VMBB Bond for CSO West and Crescent Streets improvement with annual payments of \$28,285 maturing Oct 2031.	422,961	-	19,753	403,208
0% VMBB Bond for an engineering study for stormwater separation with principal payments of \$10,500 beginning in March 2018 through March 2028	220,297	5,200,000	1,987,876	3,212,124
<u>Water Fund</u>				
2.75% Merchant's Bank Current Expense Note for the water portion of repayment of General Fund operating transfers with annual payments of \$450,000 plus interest maturing June 2015. 2,700,000	2,700,000	-	450,000	2,250,000
4.20% VMBB Capital Bond with annual principal Payments of \$95,000 plus variable interest semi-annual payments maturing December 2022.	855,000	-	95,000	760,000
3.0% VMBB Water Roof Repair Bond with annual principal and interest payments of \$115,546, maturing December 2032	<u>1,655,064</u>	<u>-</u>	<u>65,895</u>	<u>1,589,169</u>
Total business-type long-term debt	\$ <u>10,113,322</u>	\$ <u>5,200,000</u>	\$ <u>3,167,499</u>	<u>\$12,084,501</u>
Total long-term debt				\$ 14,532,074
Less current portion				<u>(1,585,817)</u>
Long-term portion				\$ <u>12,946,257</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Current Portion	\$ 1,585,817	\$ 316,123	\$ 1,901,940
2017	1,588,256	272,724	1,860,980
2018	1,590,765	232,376	1,823,141
2019	1,593,344	379,685	1,973,029
2020	1,595,996	147,538	1,743,534
2021-2025	4,133,537	476,139	4,609,676
2026-2030	1,629,417	207,334	1,836,751

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

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2031-2035	548,278	105,316	653,594
2036-2040	166,665	44,715	211,380
2041-2045	<u>99,999</u>	<u>7,315</u>	<u>107,314</u>
Total	<u>\$14,532,074</u>	<u>\$ 2,189,265</u>	<u>\$ 16,721,339</u>

During 2015 long-term debt interest expense was \$ 352,273.

**K. Fund Balances Designated for Specific Purposes**

At June 30, 2015 the City designated General Fund surplus balances for the following purposes:

		<u>General Fund</u>
<u>Designated for specific purposes:</u>		
Nonspendable	Inventories	\$ 37,992
	Prepaid expenses	143,996
Restricted	2008 Whistle Repair Donations	438
	Rail Car	2,438
	Lister Education	3,881
	Reappraisal	505,075
	Drug Forfeiture	123,128
	Community Police	3,302
	DT Traffic	250
	Housing Needs	47
	Creek Path	25,207
	Giorgetti Arena	11,000
	SIU Grant	7,833
Committed	Giorgetti Capital	1,260
	Home Depot	17,787
	Police Car	175,000
Assigned	Home Depot	40,710
	Police Impress	15,512
	Downtown Homeowner	93
	Bridge Fund	53,062
	Sidewalk Fund	<u>5,562</u>
Total designated fund balance		<u>\$ 1,172,813</u>

At June 30, 2015 the City had assigned \$30,000 of the Water Fund balance as a set aside for the future purchase of Pierpoint property from the State of Vermont.

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

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

**L. Taxes Collected for Others**

Property taxes collected by the City include taxes levied for the Rutland School District, Rutland County, and the Rutland Redevelopment Authority. The City is responsible for collection of these taxes which are remitted to the other governments as required by law. The amount of taxes collected and remitted to the Rutland School District, Rutland County, and the Rutland Redevelopment Authority for the year ended June 30, 2015 was \$12,693,316, \$72,991 and \$263,889, respectively.

**M. Deferred Revenue**

The City collects recreational fees each year for programs that occur subsequent to the end of the fiscal year. These collections represent deferred revenue to the City until the programs' execution satisfies the City's obligation to its members to provide the summer programs. The City also occasionally receives property tax revenues overpayments or advance payments from taxpayers. As these revenues have not yet been earned they represent deferred revenues. The total amount of deferred revenue at June 30, 2015 is \$79,216.

**N. Prior period adjustment**

With the implementation of GASB Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and GASB-68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*, the City's government-wide financial statements include prior period adjustments for the following:

Restatement of prior year accrued City pension liability	\$ 2,129,585
Restatement of prior year VMERS pension liability	<u>11,117</u>
	\$ <u>2,140,702</u>

**Note V. Other information**

**A. Commitments and Contingencies**

1. Risk Management: The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund covering each of those risks. Management believes such coverage is sufficient to protect the City against loss. Settled claims have not exceeded this

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

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

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

coverage in any of the past three fiscal years. The City may withdraw from this Fund by giving sixty-day's notice. Fund underwriting and rates are subject to an assessment in the event of deficiencies. If the assets of the Fund are exhausted, members are responsible for the Fund's liabilities. The City believes no such deficiency exists at June 30, 2015 and does not expect a future deficiency. The City maintains self-insurance for unemployment insurance purposes.

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

3. Landfill Closure: The City closed a landfill and executed a management plan for post-closure monitoring of the site in 1990. The City supports monitoring the landfill through the budget of the General Fund. The City does not expect costs to exceed amounts budgeted for this purpose.

4. Long-Term Contracts: The City has union contracts with the police, fire, and public works department employees. Of these contracts, the police department's union contract is in force through June 30, 2016; the fire fighters union contract was renewed through June 30, 2017, and the public works department union contract was renewed through June 30, 2016.

The City also has a contract with the Rutland Redevelopment Authority to provide the City with grant administration services, policy and operational support for blighted property remediation, urban planning and redevelopment, economic development and job creation through FY 2016.

**B. Pensions**

City employees participate in one of two pension plans, the City Defined Benefit Pension Plan or the Vermont's Municipal Employees Retirement System (VMERS).

**1. Defined Benefit Pension Plan**

The City participates in a cost-sharing, multi-employer, public employee retirement system. This defined benefit plan covers employees of the City and the Rutland School District. The plan requires some employee groups to contribute 2% of annual salary and other groups contribute more as identified in union contracts. 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. The Retirement Plan is administrated by Prudential Financial. The Retirement Plan does not issue separate

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

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

**B. Pensions (continued)**

1. Defined Benefit Pension Plan (continued)

financial reports. Assets are held separately and may be used only for the payment of benefits. Plan 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 Commissioner; five members of the City's Board of Aldermen and five members of the Rutland Board of School Commissioners.

**Executive Summary of Defined Benefit Pension Plan**

Membership	
Active members	617
Retirees and beneficiaries	372
Inactive, non-retired members	<u>157</u>
Total	<u>1,146</u>
Net Pension Liability	
Total pension liability	\$ 112,876,302
Plan Fiduciary Net Position	<u>75,901,924</u>
Net Pension Liability/(Asset)	\$ <u>36,974,378</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	67.24%
Net Pension Liability as a percentage of Covered Payroll	124.93%

**Pension Expense/(Income) Under GASB-68**

Service Cost	\$ 2,310,233
Interest	8,062,479
Current-Period Benefit Changes	( 564,080)
Employee Contributions	(1,348,660)
Projected Earnings of Plan Investments	(5,542,451)
Recognition of Outflow Due to Liabilities	50,849
Recognition of Outflow Due to Assets	<u>580,953</u>
Total Pension Expense/(Income)	\$ <u>3,549,323</u>

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

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

**B. Pensions (continued)**

1. Defined Benefit Pension Plan (continued)

**Schedule of Changes in Net Pension Liability and Related Ratios**

<u>Total Pension Liability</u>	<u>2015</u>	<u>2014</u>
Service Cost	\$ 2,310,233	\$ 2,287,734
Interest on total pension liability	8,062,479	7,736,128
Changes in benefit terms	( 564,080)	-
Difference between actual and expected experience	649,784	( 752,902)
Benefit payments	( 5,116,791)	(4,794,328)
Net change in pension liability	<u>5,341,625</u>	<u>4,476,632</u>
Total pension liability, beginning of year	<u>107,534,678</u>	<u>103,058,046</u>
Total pension liability, end of year	\$ <u>112,876,303</u>	\$ <u>107,534,678</u>

**Schedule of Contributions**

FY Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2006	2,899,920	1,501,784	1,398,136	N/A	N/A
2007	3,609,894	1,690,335	1,919,559	24,161,415	7.00%
2008	4,048,303	1,877,860	2,170,443	25,641,832	7.32%
2009	5,388,980	2,039,388	3,349,592	26,389,650	7.73%
2010	5,125,675	2,249,457	2,876,218	26,914,829	8.36%
2011	3,842,585	2,498,651	1,343,934	27,594,551	9.05%
2012	3,775,872	2,559,636	1,216,236	27,838,575	9.19%
2013	3,799,091	2,622,349	1,176,742	28,416,600	9.23%
2014	3,878,478	2,649,918	1,228,561	28,733,550	9.22%
2015	3,921,797	2,746,100	1,175,697	29,597,118	9.28%

Vesting of employee contributions in the Plan is full and immediate. Vesting of employer contributions is 100% after five years of participation. Benefits are based on the number of years of service and the employee's five highest consecutive calendar years of compensation during the last ten years of employment. The minimum annual pension is \$1,350 for employees with at least fifteen years of service, and \$2,025 for employees with at least twenty one years of service.

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

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

**B. Pensions (continued)**

1. Defined Benefit Pension Plan (continued)

Participating City employees contributed \$421,306 to the Plan in the fiscal year ended June 30, 2015. Employer contributions for the City's employees for the year ended June 30, 2015 was \$707,081. Payroll for pension-plan covered employees for the year ended June 30, 2015 was \$7,718,154. The City's total payroll was \$10,697,330.

According to the employee union contracts, the following represents contribution as a percentage of payroll to the City's retirement system:

		Employee	Employer
Department of Public Works contributions:	FY 2015	4.20%	8.9%
	FY 2016	5.30%	9.6%
Fire Department's contributions:	FY 2015	7.605%	10.145%
	FY 2016	7.98%	10.520%
Police union contribution:	FY 2015	6.32%	6.32%
	FY 2016	6.32%	10.64%
General City employee contribution:	FY 2015	3.80%	8.10%
	FY 2016	4.70%	8.40%

Significant actuarial assumptions used to compute the contribution requirements are as follows:

Valuation date	January 01, 2015
Measurement date	June 30, 2015
Actuarial cost method – total pension liability	Entry Age Normal Level percent of pay
Actuarial cost method – Funding progress	Project Unit Cost
Asset Valuation method	Market value of assets
Interest rate	7.5%
Amortization method	Level dollar
Remaining amortization period	30 years as of valuation date
Projected Salary increases	4.0%
Inflation rate	N/A

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

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

**B. Pensions (continued)**

1. Defined Benefit Pension Plan (continued)

Development of Single Discount Rate

Long-term expected rate of return	7.5%
Long-term municipal bond rate	N/A
Resulting discount rate	7.5%

The City's proportionate share of June 30, 2015 deferred outflows/inflows to be recognized in future pension expense:

June 30, 2016	\$ 375,743
2017	375,743
2018	375,743
2019	375,743
2020	86,590
Thereafter	<u>586,973</u>
Total	\$ 2,176,534

2. Vermont Municipal Employee Retirement System

Information Required Under GASB Statement No. 68

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

Plan Description

The Vermont Municipal Employees Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries (if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or any time thereafter. Any employee hired subsequent to the effective participating date of their employer who meets the minimum hour requirements is required to join the system. During the year ended June 30, 2015, the

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

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

**B. Pensions (continued)**

2. Vermont Municipal Employee Retirement System (continued)

retirement system consisted of 437 participating employers. Employees other than teachers are eligible to participate in the Vermont Municipal Employees Retirement System (VMERS) providing they work more than 24 hours a week for the year and for not less than a total of 1,040 hours. There are three levels of contributions and benefits in the System called Group A, Group B, Group C, and Group D.

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

The Defined Benefit Plan of VMERS is an actuarial reserved, joint-contributory programs. Both the City and participating employees make contributions based on gross wages at the following percentages:

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Group B	5.375%	4.750%
Group C	7.000%	9.750%

As of fiscal year 2015, all new qualifying City employees participate in VMERS. Total payroll for VMERS participating employees for the year was \$649,758; total employee withholding contributions were \$42,002 and total City contributions were \$38,650. Additional information and ten-year historical trend information can be obtained from the separately issued State of Vermont's Comprehensive Annual Financial Report.

**C. Annual Other Post-Employment Obligations (OPEB)**

The City offers other post-employment benefits 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 annual cost of OPEB is the annual required contribution (ARC). The City does not prefund OPEB liabilities. The City is required to record the required contribution of the employer's ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liability over a period not to exceed thirty years. The following are the City's annual OPEB costs:

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

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

**C. Annual Other Post-Employment Obligations (OPEB) (continued)**

	<u>06/30/2014</u>	<u>6/30/2015</u>
Annual Required Contribution	\$ 749,953	\$ 672,385
Contributions Made	(473,514)	(436,778)
Adjustments to the Annual Required Contribution	<u>(73,818)</u>	<u>(77,744)</u>
Net Change in Net OPEB Liability	<u>202,621</u>	<u>157,863</u>
Net OPEB liability at beginning of fiscal year	<u>3,810,702</u>	<u>4,013,323</u>
Net OPEB Obligation at end of the fiscal year	\$ <u>4,013,323</u>	\$ <u>4,171,186</u>

Trend Information - The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the year ended June 30, 2015 were as follows:

Funded Status and Funding Progress

As of June 30, 2015, the plan was 0% funded. The actuarial accrued liability was \$6,988,983 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,998,983. For FY 2015, covered payroll, annual payroll of employees covered for OPEB purposes, was \$8,789,237, and the ratio of the unfunded liability to covered payroll is 125.76%. Amounts of funded status and required contributions are subject to revisions as actual results are compared to actual activity. The schedule of funding progress, presents trend information to show whether actual values are increasing or decreasing over time.

Actuarial Methods and Assumptions

Actuarial cost method	Projected unit credit cost
Amortization method	Single equivalent amortized over 30 years
Actuarial Valuation Date	July 1, 2014
Annual Discount Rate	3.50%

The City offered to a high-deductible health-care plan combined with a flexible spending plan for all its employees during the fiscal year ended June 30, 2015.

**D. Related Party Transactions**

The City has a conflict of interest policy and established procedures prohibiting self-dealing and related party activity.

**E. Subsequent Events**

During July 2015 the City approved creating a Business Incentive & Assistance Program Fund in collaboration with the Heritage Federal Credit Union. The Fund is to be initially funded with

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

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

**E. Subsequent Events (continued)**

\$50,000 from the Zamias Fund and matched by \$150,000 from the Heritage Credit Union. Further the Board approved that 50% of Solar Farm revenues would be transferred to the Business Incentive & Assistance Program Fund with the remaining Solar Farm revenue to go toward taxpayer relief from year two through year five.

On September 30, 2015 the City entered into a contract with John Deere Financial to lease a Loader Backhoe. The lease is for a price of \$126,450, which consists of 5 annual payments. The first payment was due at the inception of the lease and was for the amount of \$23,202.

Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosures through March 03, 2016 the date the financial statements were available to be issued.

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

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes - general	\$ 16,014,104	\$ 15,807,284	\$ (206,820)
Delinquent tax, penalties, and interest	181,601	202,890	21,289
Fines and forfeitures	162,639	192,373	29,734
Rooms and meals tax	487,000	495,301	8,301
PILOT	476,741	515,974	39,233
Licenses and permits	207,100	203,228	(3,872)
Federal grants	-	271,284	271,284
State grants	217,000	402,616	185,616
Charges for services	731,802	904,631	172,829
Proceeds from borrowing	-	850,000	850,000
Investment earnings	41,283	27,527	(13,756)
Rental income	14,500	39,958	25,458
Donations	-	19,315	19,315
Tax Sale	46,000	63,109	17,109
Miscellaneous	39,115	337,345	298,230
Total revenues	18,618,885	20,332,835	1,713,950
<b>Expenditures</b>			
Executive	215,161	215,265	(104)
Legislative	26,901	64,307	(37,406)
City Clerk	395,885	388,381	7,504
City Treasurer	643,591	624,700	18,891
City Attorney	156,614	161,480	(4,866)
City Assessor	184,937	183,923	1,014
Building and zoning	417,887	329,846	88,041
Libraries	691,929	691,929	-
Police department	5,471,820	5,468,145	3,675
Fire department	3,459,363	3,225,757	233,606
Highways	2,703,673	2,696,489	7,184
Street lighting	352,500	678,768	(326,268)

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

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

	Budget	Actual	Variance Favorable (Unfavorable)
(continued)			
Catch basins	115,102	105,839	9,263
Community development	180,000	253,501	(73,501)
Recreation administration	533,134	490,399	42,735
DPW administration	922,282	926,216	(3,934)
Elections	30,705	21,727	8,978
Government buildings	586,439	438,504	147,935
Operations	19,000	19,870	(870)
General recreation	1,018,258	966,124	52,134
Giorgetti Park	190,639	145,572	45,067
Godnick Center	26,927	39,609	(12,682)
White Playground	93,761	63,283	30,478
Vehicle maintenance	596,469	541,639	54,830
Miscellaneous expense	384,901	320,823	64,078
Appropriations	222,730	222,755	(25)
Debt service	317,759	1,054,158	(736,399)
Total expenditures	19,958,367	20,339,009	(380,642)
Excess of revenues over (under) expenditures	(1,339,482)	(6,174)	1,333,308
Other financing sources (uses)			
Transfers in (out)	1,373,222	996,010	(377,212)
Total other financing sources (uses)	1,373,222	996,010	(377,212)
Net change in fund balance	\$ 33,740	989,836	\$ 956,096
Fund balance, June 30, 2014		2,804,872	
Fund balance, June 30, 2015		\$ 3,794,708	

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

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

Special Revenue Funds

	Equipment Replacement Fund	Field Maintenance Fund	Capital Improvement Fund	Fire Equipment Fund	Zamias Impact Fund	Water/Sewer Vehicle Fund	White's Pool Fund	Giorgetti Fund
<b>ASSETS</b>								
Cash	\$ 108,151	\$ 121,355	\$ 253,329	\$ 402,355	\$ 642,160	\$ 50,020	\$ 17,263	\$ 362,101
Other receivables	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Due from other funds	94,050	220	16,250	25,000	-	-	-	723,842
Total assets	202,201	121,575	269,579	427,355	642,160	50,020	17,263	1,085,943
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts payable	-	-	-	-	-	-	-	2,800
Due to other funds	-	-	-	-	-	13,390	-	-
Total liabilities	-	-	-	-	-	13,390	-	2,800
Fund balances								
Committed	202,201	121,575	269,579	427,355	642,160	36,630	17,263	1,083,143
Total fund balances	202,201	121,575	269,579	427,355	642,160	36,630	17,263	1,083,143
Total liabilities and fund balances	\$ 202,201	\$ 121,575	\$ 269,579	\$ 427,355	\$ 642,160	\$ 50,020	\$ 17,263	\$ 1,085,943

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

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

	Special Revenue Funds				Permanent Funds			
	Records Preservation Fund	CSO Sinking Fund	Bridge Fund	Sidewalk Fund	Water System Capital Fund	VCDP Notes Receivable Fund	Downtown Special Bus. Dist. Revolving Loan Fund	Non-Major Govt Funds
Cash	\$ 84,972	\$ 792,952	\$ 274,170	\$ 16,552	\$ 1,071,153	\$ 4,479	\$ 109,994	\$ 4,311,006
Other receivables	66	-	-	-	-	-	1,291	1,357
Investments	-	-	-	-	-	-	-	723,842
Due from other funds	1,126	-	-	-	-	-	3,691	140,337
Total assets	86,164	792,952	274,170	16,552	1,071,153	4,479	114,976	5,176,542
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	-	8,419	63,358	-	-	-	-	74,577
Due to other funds	-	513,274	114,769	-	120,500	-	-	761,933
Total liabilities	-	521,693	178,127	-	120,500	-	-	836,510
<b>Fund balances</b>								
Committed	86,164	271,259	96,043	16,552	950,653	4,479	114,976	4,340,032
Total fund balances	86,164	271,259	96,043	16,552	950,653	4,479	114,976	4,340,032
Total liabilities and fund balances	\$ 86,164	\$ 792,952	\$ 274,170	\$ 16,552	\$ 1,071,153	\$ 4,479	\$ 114,976	\$ 5,176,542

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

CITY OF RUTLAND, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue Funds							
	Hospital Fund	Equipment Replacement Fund	Field Maint Fund	Capital Improv Fund	Fire Equip Fund	Zamias Impact Fund	Water/Sewer Vehicle Fund	White's Pool Fund
Revenues								
Fees and charges for services	\$ -	\$ 1,500	\$ 5,127	\$ 1,568	\$ 60,000	\$ 96,660	\$ -	\$ -
Sale of assets	-	16,550	-	-	-	-	-	-
Investment earnings	2	79	60	111	452	983	17	9
Loan repayments	-	-	-	-	-	-	-	-
Total revenues	2	18,129	5,187	1,679	60,452	97,643	17	9
Expenditures								
Loan disbursements	-	-	-	-	-	-	-	-
Operating expenses	14,626	117,109	7,325	-	-	75,000	-	-
Total expenditures	14,626	117,109	7,325	-	-	75,000	-	-
Excess (deficiency) of revenues over (under) expenditures	(14,624)	(98,980)	(2,138)	1,679	60,452	22,643	17	9
Transfers in (out) (uses)	-	159,855	-	65,000	40,000	(25,000)	16,610	-
	-	159,855	-	65,000	40,000	(25,000)	16,610	-
Net changes in fund balances	(14,624)	60,875	(2,138)	66,679	100,452	(2,357)	16,627	9
Fund balances, beginning	14,624	141,326	123,713	202,900	326,903	644,517	20,003	17,254
Fund balances, ending	\$ -	\$ 202,201	\$ 121,575	\$ 269,579	\$ 427,355	\$ 642,160	\$ 36,630	\$ 17,263

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

CITY OF RUTLAND, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue Funds							Permanent Funds				Total Non-Major Govt Funds
	Giorgetti Fund	Records Preserv Fund	CSO Sinking Fund	Bridge Fund	Sidewalk Fund	Water System Capital Fund	VCDP Notes Receivable Fund	Downtown Special Bus. Loan Fund				
Revenues												
Fees and charges for services	\$ -	\$ 18,507	\$ 11,500	\$ -	\$ -	\$ 16,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,359
Sale of assets	-	-	-	74	-	-	-	-	-	-	-	16,624
Investment earnings	9,259	41	1,127	-	7	1,433	-	-	-	-	-	16,250
Loan repayments	-	-	-	-	-	-	-	-	3	2,667	-	54,971
Total revenues	9,259	18,548	12,627	74	7	17,930	-	3	-	54,971	57,638	299,204
Expenditures												
Loan disbursements	-	-	-	-	-	-	-	-	-	50,000	-	50,000
Operating expenses	38,735	12,006	36,030	347,595	-	-	-	16	-	-	-	648,442
Total expenditures	38,735	12,006	36,030	347,595	-	-	-	16	-	50,000	-	698,442
Excess (deficiency) of revenues over (under) expenditures	(29,476)	6,542	(23,403)	(347,521)	7	17,930	(13)	7,638	(399,238)			
Transfers in (out)	-	-	(408,269)	53,080	10,787	72,987	(2,519)	19	(17,450)			
Total other financing sources (uses)	-	-	(408,269)	53,080	10,787	72,987	(2,519)	19	(17,450)			
Net changes in fund balances	(29,476)	6,542	(431,672)	(294,441)	10,794	90,917	(2,532)	7,657	(416,688)			
Fund balances, beginning	1,112,619	79,622	702,931	390,484	5,758	859,736	7,011	107,319	4,756,720			
Fund balances, ending	\$ 1,083,143	\$ 86,164	\$ 271,259	\$ 96,043	\$ 16,552	\$ 950,653	\$ 4,479	\$ 114,976	\$ 4,340,032			

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

CITY OF RUTLAND, VERMONT

INTERNAL CONTROL REPORT  
JUNE 30, 2015

Corrette & Associates, P.C.

# CORRETTE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Aldermen  
City of Rutland  
Rutland, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Rutland, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Rutland, Vermont's basic financial statements, and have issued our report thereon dated March 10, 2016.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rutland, Vermont's financial statements are free 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 noted certain other matters that we reported to management of the City of Rutland, Vermont in a separate letter dated March 10, 2016.

### Purpose of this Report

This report is intended solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Corrette & Associates*

Corrette & Associates, P.C.

St. Johnsbury, Vermont

March 10, 2016

Vermont License # 92-130