

CITY OF RUTLAND, VERMONT

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

JUNE 30, 2017

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AUDIT REPORT
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rutland, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Rutland, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rutland, Vermont, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As described in Note III.E. to the financial statements, certain errors were corrected by management during the current year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability for the City's participation in VMERS on Schedule 2, the Schedule of Contributions for the City's participation in VMERS on Schedule 3, the Schedule of Proportionate Share of the Net Pension Liability for the City's pension plan on Schedule 4, the Schedule of Changes in Net Pension Liabilities and Related Ratios for the City's Pension Plan on Schedule 5, the Schedule of Contributions and Investment Returns for the City's Pension Plan on Schedule 6 and the Schedule of Funding Progress for the City's Other Postemployment Benefits on Schedule 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

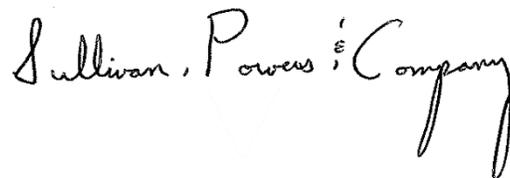
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rutland, Vermont's basic financial statements. The combining fund financial statements and combining schedules of the Water Fund and the Sewer Fund are presented for purposes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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by "Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated March 19, 2018 on our consideration of the City of Rutland, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the City of Rutland, Vermont's internal control over financial reporting and compliance.

March 19, 2018
Montpelier, Vermont
VT Lic. #92-000180

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

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Management of the City of Rutland (the City) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. Please note that this section of the Basic Financial Statements is unaudited.

FINANCIAL HIGHLIGHTS

- Beginning equity amounts in the government-wide financial statements and the governmental and the proprietary fund financial statements have been restated. Because of the significance of the restatements, certain comparisons have not been made between the prior year and current year.
- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$50,629,228 (net position). The net position is comprised of investment in capital assets, net of related debt, and restricted and unrestricted funds.
- The unrestricted net position represents the funds that may be used to meet the City's ongoing obligations. At the close of the current fiscal year, the unrestricted net position was a deficit of \$18,652,720. The unrestricted net position includes the City's net pension liability. The net position liability at the close of the fiscal year was of \$23,520,279, an increase of \$652,975 over the prior year.
- The City's total net position increased by \$1,587,210 or 3.23%. Of this amount, net position of the governmental activities increased by \$622,221 or 2.6% and net position attributable to business-type activities increased by \$964,989 or 3.9%.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,945,982. This is an increase of \$1,912,494 from the prior year's combined ending fund balance of \$8,033,488.
- At the end of the current fiscal year, the unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$4,416,348, or approximately 20.8% of total general fund expenditures.
- The City's total outstanding long-term debt increased by \$1,311,325 during the current fiscal year. Additions to long-term debt totaled \$2,732,618 offset by principal payments of \$1,421,293.
- As of June 30, 2017 the Net Pension Liability in the City Pension for school and municipal employees was a combined \$38,061,800, a decrease of \$3,465,191 over the prior year.

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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

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

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

Fund Financial Statements

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

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

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

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

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

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

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

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

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

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

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

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	Governmental <u>Activities</u> 2017	Business-Type <u>Activities</u> 2017	Total <u>Government</u> 2017
Assets:			
Other Assets	13,596,913	6,351,803	19,948,716
Capital Assets	41,271,434	38,219,319	79,490,753
Total Assets	<u>54,868,347</u>	<u>44,571,122</u>	<u>99,439,469</u>
Deferred Outflows of Resources	<u>5,300,888</u>	<u>1,125,841</u>	<u>6,426,729</u>
Liabilities:			
Other Liabilities	1,585,664	752,759	2,338,423
Noncurrent Liabilities	29,983,002	18,116,254	48,099,256
Total Liabilities	<u>31,568,666</u>	<u>18,869,013</u>	<u>50,437,679</u>
Deferred Inflows of Resources	<u>3,807,459</u>	<u>991,832</u>	<u>4,799,291</u>
Net Position:			
Net Investment in Capital Assets	38,276,435	28,098,003	66,374,438
Restricted	2,907,510	0	2,907,510
Unrestricted/(Deficit)	(16,390,835)	(2,261,885)	(18,652,720)
Total Net Position	<u>\$ 24,793,110</u>	<u>\$ 25,836,118</u>	<u>\$ 50,629,228</u>

As noted earlier, net position serves as a useful indicator of a government's financial position over time. At the end of the most recent fiscal year, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50,629,228. The City's total net position is split between governmental activities net position of \$24,793,110 and business-type activities net position of \$25,836,118.

The largest portion of the City's total net position \$66,374,438 reflects its investment in capital assets (construction in progress, equipment, land, buildings and infrastructure) net of any outstanding debt used to acquire or construct those assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The City's total net position includes \$2,907,510 of restricted net position. Restricted net position represents assets whose use is subject to external restrictions. The remaining balance of (\$18,652,720) is unrestricted net position/(deficit). Included in unrestricted net position are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Summary of the Statement of Activities

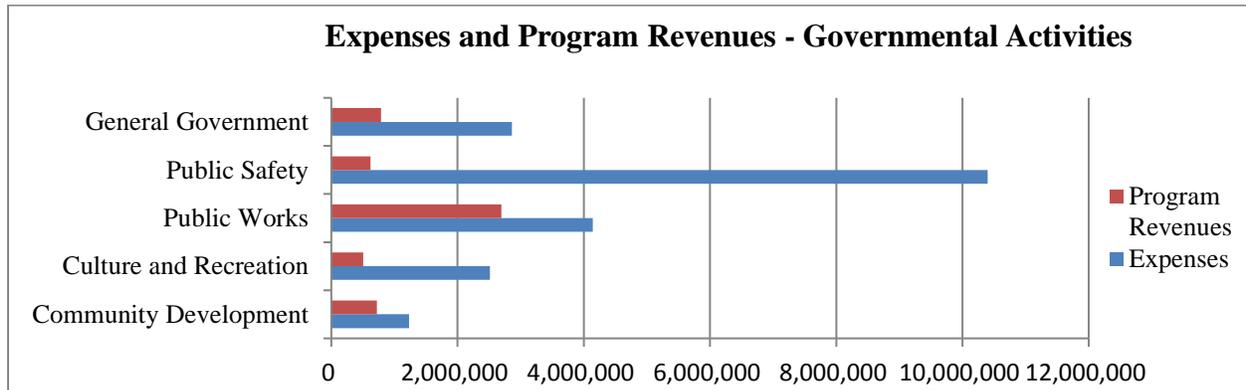
	Governmental <u>Activities</u> <u>2017</u>	Business-Type <u>Activities</u> <u>2017</u>	Total <u>Government</u> <u>2017</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,110,945	\$ 9,230,423	\$ 10,341,368
Operating Grants & Contributions	1,490,716	0	1,490,716
Capital Grants & Contributions	2,731,335	59,768	2,791,103
General Revenues:			
Property Taxes	15,166,074	0	15,166,074
Other	<u>1,441,671</u>	<u>19,035</u>	<u>1,460,706</u>
Total Revenues	<u>21,940,741</u>	<u>9,309,226</u>	<u>31,249,967</u>
Expenses:			
General Government	2,860,606	0	2,860,606
Public Safety	10,397,559	0	10,397,559
Public Works	4,141,814	0	4,141,814
Culture and Recreation	2,515,448	0	2,515,448
Community Development	1,234,036	0	1,234,036
Interest on Long-Term Debt	145,043	0	145,043
Water	0	2,838,864	2,838,864
Wastewater	0	4,940,174	4,940,174
Parking	0	206,375	206,375
Transit	0	382,838	382,838
Total Expenses	<u>21,294,506</u>	<u>8,368,251</u>	<u>29,662,757</u>
Increase (Decrease) in Net Position			
Before Transfers	646,235	940,975	1,587,210
Transfers	<u>(24,014)</u>	<u>24,014</u>	<u>0</u>
Increase (Decrease) in Net Position	622,221	964,989	1,587,210
Beginning Net Position	<u>24,170,889</u>	<u>24,871,129</u>	<u>49,042,018</u>
Ending Net Position	<u>\$ 24,793,110</u>	<u>\$ 25,836,118</u>	<u>\$ 50,629,228</u>

Governmental Activities

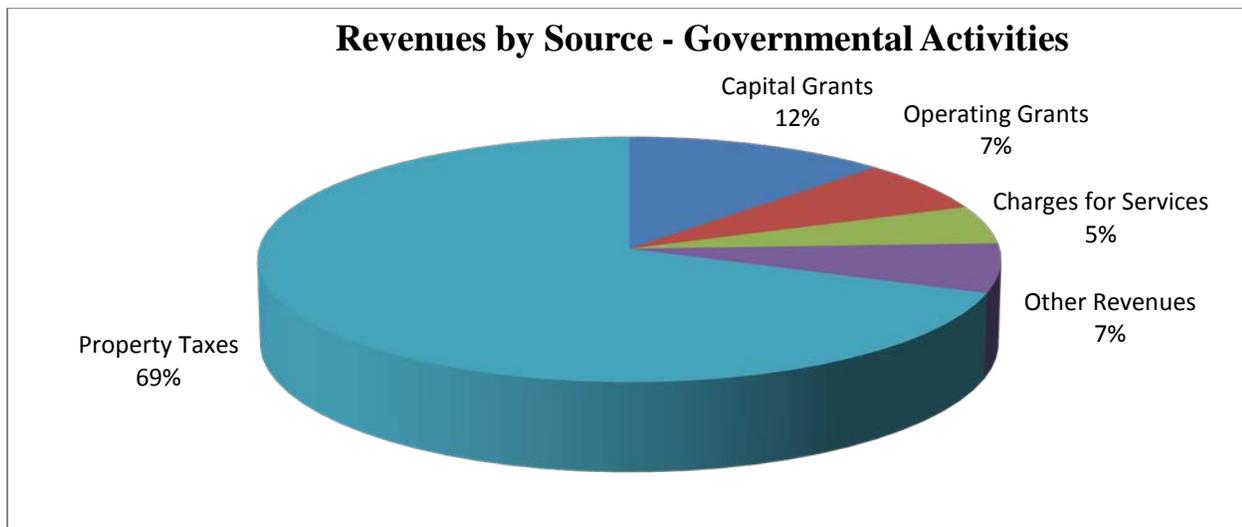
Governmental activities increased the City's net position by \$622,221 for the year ended June 30, 2017. The increase is overall revenues in excess of expenses.

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

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**



The majority of revenue for governmental activities comes from property taxes; 69% of total revenue or \$15,166,074. The second largest category of revenue is capital grants and contributions coming in at 12% of total revenue or \$2,731,335. The following graph shows the distribution of governmental activities revenues by source for the year ended June 30, 2017.



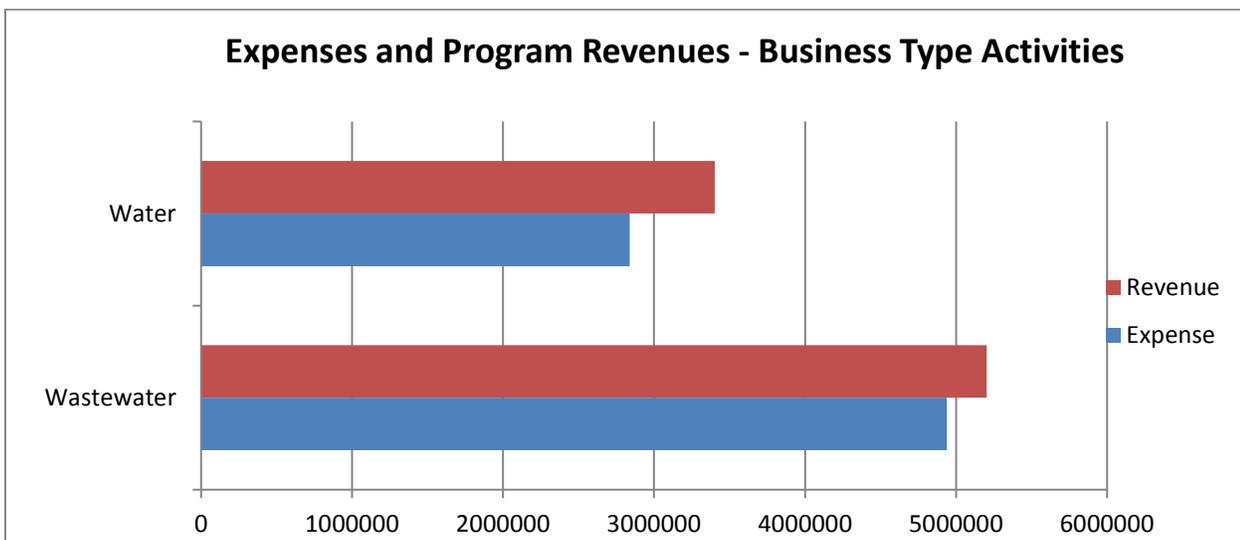
Business-type Activities

Business-type activities increased the City’s net position by \$946,989 during the current fiscal year. The increase reflects the excess revenues over expenses in the current year.

The City’s business-type activities are supported by user fees and allocation fees, also referred to as charges for services. Revenues by source were 99% from charges for services and 1% from operating grants and investment income.

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As the name suggests, business-type activities are accounted for in the same manner that businesses would account for operations. Therefore, it is necessary that revenues meet or exceed expenses in order to continue operating. The graph below titled Expenses and Program Revenues – Business-type Activities, demonstrates that during the current fiscal year, revenues exceeded expenses for both the water fund and the sewer fund. Operating revenues exceeded operating expenses in the water fund by \$699,773 or 20.5% of total operating revenues. In the sewer fund, operating revenues exceeded operating expenses by \$325,541 or 6.25% of total operating revenues. After factoring in nonoperating revenues, nonoperating expense, and transfers the water and sewer funds reported an increase in net position of \$580,575 and \$322,492, respectively. Each year the amount that revenues exceed expenses in these funds increases unrestricted net position. Included in unrestricted net position are amounts that management has designated for particular purposes, such as future capital projects and debt service.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,945,982, an increase of \$1,912,494 over the prior year. Of this total amount, \$293,748 is non-spendable (advances to other funds, prepaid items and inventories) and \$4,490,547 is restricted, which indicates it is not available for discretionary spending, as it is otherwise restricted by grant agreements, statutes, or debt covenants. Of the remaining amount, \$4,055,469 has been assigned by the City for various purposes (detailed in Footnote IV. J Net Position/Fund Balances) and unassigned fund balance of \$998,359.

The General Fund is the chief operating fund of the City. At the end of the year, total fund balance in the General Fund was \$5,036,933, a decrease of \$316,322 from the previous year. Of this amount, \$293,748 is non-spendable and \$326,837 was restricted. The remaining \$3,417,989 has been assigned as detailed in the footnotes. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total general fund expenditures. Total fund balance represents approximately 23.7% of total General Fund expenditures; however, this amount includes nonspendable balances which would not be available to finance General Fund expenditures if necessary. The remaining categories of fund balance (committed, assigned, and unassigned) are referred to as unrestricted fund balance and are resources that could be liquidated to support General Fund expenditures if necessary. Unrestricted fund balance represents 22% of total General Fund expenditures.

General Fund Budgetary Highlights

Final actual revenues exceeded budgeted revenues by \$1,457,246 at year end. Most sources of revenue are higher than expected, except for taxes, charges for services and public works fees. 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. Penalties and interest revenue also exceeded budget.

Final actual expenditures are higher than budgeted amounts by \$1,270,498. A few City departments posted higher expenses than budgeted, including Legislative (Tax abatements approved by the Board), Treasurer, Police and Traffic and Street lighting, Community Development (unbudgeted grant expenditure offset by revenues), and Debt Service (including post-employment payouts). All other City Departments met or fell below budget targets.

The General Fund actuals show expenditures over revenues by \$163,252. After application of transfers-in and reclassification of funds the net change to fund balance decreased by \$316,322.

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Proprietary Funds

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

Total net position in the water fund is \$12,616,482, an increase of 4.8% from the previous year. Water fund net position is all invested in capital assets. In the sewer fund, total net position is \$13,026,676, an increase of 2.5% from the previous year. All of the net position in the sewer fund is also invested in capital assets. Other major factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2017 were \$146,382,051 (before depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The City's combined investment in capital assets increased by \$5,843,797. Combined accumulated depreciation at the end of the year is \$66,891,298. Capital assets for governmental activities increased by \$2,966,967, net of accumulated depreciation. Capital assets for business-type activities increased by \$395,325, net of accumulated depreciation.

Summary of Capital Assets

	<u>Governmental Activities</u> <u>2017</u>	<u>Business-Type Activities</u> <u>2017</u>	<u>Total Governmental</u> <u>2017</u>
Capital Assets:			
Land and Land Improvements	\$ 6,918,497	\$ 3,079,754	9,998,251
Construction in Progress	1,116,682	801,790	1,918,472
Buildings, Improvements, Distribution and Collection Systems	7,640,143	50,506,674	58,146,817
Vehicles, Machinery and Equipment	10,392,307	6,464,680	16,856,987
Infrastructure	59,461,524	0	59,461,524
	<hr/>	<hr/>	<hr/>
Less: Accumulated Depreciation	(44,257,719)	(22,633,579)	(66,891,298)
Total Assets, Net	<u>\$ 41,271,434</u>	<u>\$ 38,219,319</u>	<u>\$ 79,490,753</u>

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

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Long-Term Debt

The City began the year with \$16,137,203 in long-term debt outstanding. As of June 30, 2017, this amount had increased by \$1,311,325 or 8.0% to end the current year with \$17,448,528 in long-term debt outstanding. During the year, the City entered into a 20 year bond with interest ranging from 1.49% to 3.09% through the Vermont Municipal Bank for \$2,500,000 for White's Pool. This was a voter approved project.

Summary of Long Term Debt

	June 30, 2016	Additions	Deletions	June 30, 2017
Governmental Activities	3,308,339	2,584,980	(366,107)	5,527,212
Business Type Activities	12,828,864	147,638	(1,055,186)	11,921,316
 Total Government	 \$ 16,137,203	 \$ 2,732,618	 \$ (1,421,293)	 \$ 17,448,528

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

Economic Factors, Tax Rates and 2017 Grand List

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 4.2% in June 2017 whereas it was 4.3% as of June 2016 according to the Vermont Department of Labor. The unemployment rate for the state of Vermont as a whole was 3.3% and the national rate was 4.3% as of June 2017.

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

	Delinquent Taxes	Expected tax revenue	% Delinquent
FY 2017	\$1,283,290	\$31,133,758	4.12%
FY 2016	\$1,356,370	\$31,332,858	4.33%
FY 2015	\$1,215,424	\$30,958,740	3.93%
FY 2014	\$1,197,463	\$29,094,822	4.12%
FY 2013	\$1,119,279	\$28,077,160	3.99%

**CITY OF RUTLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

	Grand List, BOY	Grand List EOY
FY 2017	10,203,548	10,204,788
FY 2016	10,229,353	10,218,268
FY 2015	10,150,930	10,137,705
FY 2014	10,141,084	10,134,000
FY 2013	10,120,875	10,095,113

The grand list value at beginning of year (BOY) is value at the time the rates are applied to create the billing file; the value for the end of year (EOY) is the grand list value at fiscal year-end. Modest gains on the grand list are made each year due to investments in commercial properties. Reductions are due to grievances, lister adjustments, and properties that become City-owned through tax sale. The City acquired several properties in FY 17 due to tax sale activity.

Overall property tax rates for FY 2017 decreased slightly over FY 2016 due to a reduction in the education tax rates and municipal rates. The homestead education tax for FY 2017 was \$1.5607 compared to \$1.5683 in the prior year, a .48% decrease. Non-residential education tax rate increased to \$1.6243 compared to \$1.6189 in the prior year, an increase of .33%. The municipal rate decreased from \$1.5346 to \$1.5169 a decrease of 1.15%. Both school and municipal budgets were approved by the voters.

REQUESTS FOR INFORMATION

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

CITY OF RUTLAND, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rutland Redevelopment Authority
ASSETS				
Cash	\$ 6,929,955	\$ 2,641,491	\$ 9,571,446	\$ 252,246
Investments	734,485	0	734,485	0
Receivables (Net of Allowance for Uncollectibles)	2,339,826	3,596,016	5,935,842	996
Loans Receivable	125,104	0	125,104	0
Internal Balances	304,694	(304,694)	0	0
Due from Component Unit	63,661	0	63,661	0
Prepaid Expenses	222,177	276,086	498,263	0
Inventory	71,571	142,904	214,475	0
Restricted Cash	2,805,440	0	2,805,440	0
Capital Assets:				
Land and Easements	4,533,559	3,043,929	7,577,488	0
Construction in Progress	1,116,682	801,790	1,918,472	0
Other Capital Assets, (Net of Accumulated Depreciation)	35,621,193	34,373,600	69,994,793	0
Total Assets	<u>54,868,347</u>	<u>44,571,122</u>	<u>99,439,469</u>	<u>253,242</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to the City's Participation in VMERS	1,304,927	77,034	1,381,961	0
Deferred Outflows of Resources Related to the City's Pension Plan	3,995,961	1,048,807	5,044,768	0
Total Deferred Outflows of Resources	<u>5,300,888</u>	<u>1,125,841</u>	<u>6,426,729</u>	<u>0</u>
LIABILITIES				
Accounts Payable	901,920	659,298	1,561,218	1,962
Accrued Payroll and Benefits Payable	501,159	42,706	543,865	0
Unearned Revenue	93,394	11,901	105,295	0
Due to Primary Government	0	0	0	63,661
Tax Sale Overpayments	71,398	0	71,398	0
Accrued Interest Payable	17,793	38,854	56,647	0
Noncurrent Liabilities:				
Due within One Year	461,927	1,292,056	1,753,983	0
Due in More than One Year	29,521,075	16,824,198	46,345,273	0
Total Liabilities	<u>31,568,666</u>	<u>18,869,013</u>	<u>50,437,679</u>	<u>65,623</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid Property Taxes	28,576	0	28,576	0
Deferred Inflows of Resources Related to the City's Pension Plan	3,778,883	991,832	4,770,715	0
Total Deferred Inflows of Resources	<u>3,807,459</u>	<u>991,832</u>	<u>4,799,291</u>	<u>0</u>
NET POSITION				
Net Investment in Capital Assets	38,276,435	28,098,003	66,374,438	0
Restricted:				
Giorgetti Park Improvements	1,077,721	0	1,077,721	0
Community Development	1,045,641	0	1,045,641	0
Other	784,148	0	784,148	0
Unrestricted/(Deficit)	(16,390,835)	(2,261,885)	(18,652,720)	187,619
Total Net Position	<u>\$ 24,793,110</u>	<u>\$ 25,836,118</u>	<u>\$ 50,629,228</u>	<u>\$ 187,619</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Rutland Redevelopment Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Functions/Programs:								
Primary Government:								
Governmental Activities:								
General Government	\$ 2,860,606	\$ 428,602	\$ 239,539	\$ 121,427	\$ (2,071,038)	\$ 0	\$ (2,071,038)	\$ 0
Public Safety	10,397,559	237,125	200,289	182,294	(9,777,851)	0	(9,777,851)	0
Public Works	4,141,814	21,341	283,698	2,390,757	(1,446,018)	0	(1,446,018)	0
Culture and Recreation	2,515,448	421,191	47,647	36,857	(2,009,753)	0	(2,009,753)	0
Community Development	1,234,036	2,686	719,543	0	(511,807)	0	(511,807)	0
Interest on Long-term Debt	145,043	0	0	0	(145,043)	0	(145,043)	0
Total Governmental Activities	21,294,506	1,110,945	1,490,716	2,731,335	(15,961,510)	0	(15,961,510)	0
Business-type Activities:								
Water	2,838,864	3,401,035	0	0	0	562,171	562,171	0
Sewer	4,940,174	5,202,267	0	59,768	0	321,861	321,861	0
Parking	206,375	193,584	0	0	0	(12,791)	(12,791)	0
Transit Center Management	382,838	433,537	0	0	0	50,699	50,699	0
Total Business-type Activities	8,368,251	9,230,423	0	59,768	0	921,940	921,940	0
Total Primary Government	\$ 29,662,757	\$ 10,341,368	\$ 1,490,716	\$ 2,791,103	(15,961,510)	921,940	(15,039,570)	0
Component Unit:								
Rutland Redevelopment Authority	\$ 511,068	\$ 180,000	\$ 12,000	\$ 0	0	0	0	(319,068)
Total Component Unit	\$ 511,068	\$ 180,000	\$ 12,000	\$ 0	0	0	0	(319,068)
General Revenues:								
Property Taxes					15,166,074	0	15,166,074	280,020
Penalties and Interest on Delinquent Taxes					231,101	0	231,101	0
Rooms, Meals and Entertainment Taxes					528,976	0	528,976	0
Payments in Lieu of Taxes					601,026	0	601,026	0
Unrestricted Investment Earnings					46,804	8,435	55,239	518
Insurance Proceeds					11,836	10,600	22,436	0
Other Revenues					21,928	0	21,928	2,500
Transfers:					(24,014)	24,014	0	0
Total General Revenues and Transfers					16,583,731	43,049	16,626,780	283,038
Change in Net Position					622,221	964,989	1,587,210	(36,030)
Net Position - July 1, 2016, As Restated/Reclassified					24,170,889	24,871,129	49,042,018	223,649
Net Position - June 30, 2017					\$ 24,793,110	\$ 25,836,118	\$ 50,629,228	\$ 187,619

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

CITY OF RUTLAND, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 5,024,645	\$ 1,905,310	\$ 6,929,955
Restricted Cash	0	2,805,440	2,805,440
Investments	0	734,485	734,485
Receivables (Net of Allowance for Uncollectibles)	2,301,506	38,320	2,339,826
Loans Receivable (Net of Allowance for Uncollectibles)	125,104	0	125,104
Due from Other Funds	683,802	384	684,186
Due from Component Unit	63,661	0	63,661
Prepaid Expenses	222,177	0	222,177
Inventory	71,571	0	71,571
Total Assets	<u>\$ 8,492,466</u>	<u>\$ 5,483,939</u>	<u>\$ 13,976,405</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 744,772	\$ 157,148	\$ 901,920
Accrued Payroll and Benefits Payable	501,159	0	501,159
Due to Other Funds	0	379,492	379,492
Unearned Revenue	93,394	0	93,394
Tax Sale Overpayments	71,398	0	71,398
Total Liabilities	<u>1,410,723</u>	<u>536,640</u>	<u>1,947,363</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	28,576	0	28,576
Unavailable Property Taxes, Penalties, Interest and Related Fees	1,220,730	0	1,220,730
Unavailable Miscellaneous Fees	88,270	38,250	126,520
Unavailable Impact Fees	498,421	0	498,421
Unavailable Grants	83,709	0	83,709
Unavailable Loans Receivable	125,104	0	125,104
Total Deferred Inflows of Resources	<u>2,044,810</u>	<u>38,250</u>	<u>2,083,060</u>
<u>FUND BALANCES</u>			
Nonspendable	293,748	0	293,748
Restricted	326,837	4,163,710	4,490,547
Committed	0	107,859	107,859
Assigned	3,417,989	637,480	4,055,469
Unassigned	998,359	0	998,359
Total Fund Balances	<u>5,036,933</u>	<u>4,909,049</u>	9,945,982
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,492,466</u>	<u>\$ 5,483,939</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.			41,271,434
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			2,054,484
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.			(30,000,795)
Deferred Outflows and Inflows of Resources related to the City's Pension Plan and it's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.			<u>1,522,005</u>
Net Position of Governmental Activities			<u>\$ 24,793,110</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 15,367,857	\$ 0	\$ 15,367,857
Penalties and Interest on Delinquent Taxes	231,101	0	231,101
Rooms, Meals and Entertainment Taxes	528,976	0	528,976
Payments in Lieu of Taxes	601,026	0	601,026
Intergovernmental	1,895,473	0	1,895,473
Charges for Services	1,898,634	77,000	1,975,634
Permits, Licenses and Fees	433,172	43,390	476,562
Fines and Forfeits	25,090	0	25,090
Loan Repayments	35,956	0	35,956
Loan Interest Income	2,686	0	2,686
Investment Income	20,690	26,114	46,804
Donations	27,250	31,720	58,970
Other	42,325	0	42,325
Total Revenues	21,110,236	178,224	21,288,460
Expenditures:			
General Government	2,944,456	15,785	2,960,241
Public Safety	9,077,537	31,832	9,109,369
Public Works	3,548,063	3,660	3,551,723
Culture and Recreation	2,203,717	84,750	2,288,467
Community Development	1,247,786	0	1,247,786
Capital Outlay:			
General Government	298,146	0	298,146
Public Safety	271,861	111,765	383,626
Public Works	1,093,890	251,950	1,345,840
Culture and Recreation	81,226	179,321	260,547
Debt Service:			
Principal	287,986	78,121	366,107
Interest	133,777	3,139	136,916
Total Expenditures	21,188,445	760,323	21,948,768
Excess/(Deficiency) of Revenues Over Expenditures	(78,209)	(582,099)	(660,308)
Other Financing Sources/(Uses):			
Insurance Proceeds	11,836	0	11,836
Proceeds from Long-term Debt	0	2,584,980	2,584,980
Transfers In	0	225,935	225,935
Transfers Out	(249,949)	0	(249,949)
Total Other Financing Sources/(Uses)	(238,113)	2,810,915	2,572,802
Net Change in Fund Balances	(316,322)	2,228,816	1,912,494
Fund Balances - July 1, 2016, As Restated/Reclassified	5,353,255	2,680,233	8,033,488
Fund Balances - June 30, 2017	\$ 5,036,933	\$ 4,909,049	\$ 9,945,982

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

CITY OF RUTLAND, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total government funds (Exhibit D)	\$	1,912,494
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$2,288,159) is allocated over their estimated useful lives and reported as depreciation expense (\$1,504,691). This is the amount by which capital outlays exceeded depreciation in the current period.		783,468
The effect of capital grants for the construction of City bridges by the State of Vermont is to increase net position.		2,183,899
The net effect of various transactions involving capital assets (i.e., sales, losses on disposal of assets and trade-ins) is to reduce net position.		(400)
The issuance of long-term debt (\$2,584,980) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$366,107) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(2,218,873)
Governmental funds report employer pension contributions as expenditures (\$2,563,766). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$4,325,392) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(1,761,626)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(157,154)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(119,587)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>622,221</u></u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
ASSETS					
Current Assets:					
Cash	\$ 1,395,557	\$ 1,102,424	\$ 143,510	\$ 0	\$ 2,641,491
Receivables (Net of Allowance for Uncollectibles)	1,387,329	1,909,676	44,156	254,855	3,596,016
Due from Other Funds	11,089	0	0	0	11,089
Prepaid Expenses	46,859	227,877	1,350	0	276,086
Inventory	106,339	36,565	0	0	142,904
Total Current Assets	2,947,173	3,276,542	189,016	254,855	6,667,586
Noncurrent Assets:					
Capital Assets:					
Land	2,817,569	49,360	177,000	0	3,043,929
Construction in Progress	706,778	95,012	0	0	801,790
Land Improvements	0	0	35,825	0	35,825
Vehicles, Machinery and Equipment	2,875,863	2,931,812	413,022	243,983	6,464,680
Buildings, Distribution and Collection Systems	17,402,160	33,104,514	0	0	50,506,674
Less: Accumulated Depreciation	(8,299,206)	(13,930,430)	(352,150)	(51,793)	(22,633,579)
Total Noncurrent Assets	15,503,164	22,250,268	273,697	192,190	38,219,319
Total Assets	18,450,337	25,526,810	462,713	447,045	44,886,905
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to the City's Participation in VMERS					
	53,773	23,261	0	0	77,034
Deferred Outflows of Resources Related to the City's Pension Plan					
	289,065	710,808	48,934	0	1,048,807
Total Deferred Outflows of Resources	342,838	734,069	48,934	0	1,125,841
LIABILITIES					
Current Liabilities:					
Accounts Payable	489,689	123,517	304	45,788	659,298
Accrued Payroll and Benefits Payable	13,975	25,157	3,574	0	42,706
Due to Other Funds	0	32,906	0	282,877	315,783
Unearned Revenue	9,961	1,940	0	0	11,901
Accrued Interest Payable	27,103	11,751	0	0	38,854
General Obligation Bonds Payable - Current Portion	193,114	468,335	0	0	661,449
Notes Payable - Current Portion	450,000	150,000	0	0	600,000
Capital Leases Payable - Current Portion	30,607	0	0	0	30,607
Total Current Liabilities	1,214,449	813,606	3,878	328,665	2,360,598
Noncurrent Liabilities:					
Compensated Absences Payable	118,793	228,876	11,965	0	359,634
Other Postemployment Benefits	490,782	529,325	161,881	0	1,181,988
Net Pension Liability - VMERS	60,492	26,168	0	0	86,660
Net Pension Liability - City's Pension Plan	1,258,631	3,094,958	213,067	0	4,566,656
General Obligation Bonds Payable - Noncurrent Portion	1,860,184	7,569,076	0	0	9,429,260
Notes Payable - Noncurrent Portion	900,000	300,000	0	0	1,200,000
Total Noncurrent Liabilities	4,688,882	11,748,403	386,913	0	16,824,198
Total Liabilities	5,903,331	12,562,009	390,791	328,665	19,184,796
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to the City's Pension Plan					
	273,362	672,194	46,276	0	991,832
Total Deferred Inflows of Resources	273,362	672,194	46,276	0	991,832
NET POSITION					
Net Investment in Capital Assets					
Unrestricted/(Deficit)	13,419,259	14,212,857	273,697	192,190	28,098,003
	(802,777)	(1,186,181)	(199,117)	(73,810)	(2,261,885)
Total Net Position	\$ 12,616,482	\$ 13,026,676	\$ 74,580	\$ 118,380	\$ 25,836,118

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

CITY OF RUTLAND, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
Operating Revenues:					
Charges for Services	\$ 3,354,058	\$ 5,106,478	\$ 193,584	\$ 433,537	\$ 9,087,657
Penalties and Interest	38,814	53,581	0	0	92,395
Other Income	8,163	42,208	0	0	50,371
Total Operating Revenues	3,401,035	5,202,267	193,584	433,537	9,230,423
Operating Expenses:					
Salaries and Benefits	1,031,886	1,807,510	160,576	0	2,999,972
Administrative Fees	678,775	678,775	15,000	0	1,372,550
Utilities	46,532	350,094	0	0	396,626
Taxes	60,326	0	0	0	60,326
Insurances	157,085	212,472	0	0	369,557
Dues and Fees	43,727	13,013	1,830	0	58,570
Technology	0	0	6,500	0	6,500
Telephone and Internet	9,986	9,876	434	0	20,296
Supplies	92,220	106,319	2,608	0	201,147
Machinery and Equipment	12,873	53,968	59	0	66,900
Repairs and Maintenance	65,741	208,347	570	0	274,658
Professional Services	19,511	51,773	5,265	360,740	437,289
Chemicals	49,330	123,401	0	0	172,731
Real Estate Lease	0	0	4,200	0	4,200
Sludge Disposal	0	499,643	0	0	499,643
Depreciation	433,270	753,562	9,333	22,098	1,218,263
Other	0	7,973	0	0	7,973
Total Operating Expenses	2,701,262	4,876,726	206,375	382,838	8,167,201
Operating Income/(Loss)	699,773	325,541	(12,791)	50,699	1,063,222
Non-Operating Revenues/(Expenses):					
Insurance Proceeds	10,600	0	0	0	10,600
Loss on Disposal of Capital Assets	(16,372)	0	0	0	(16,372)
Investment Income	7,804	631	0	0	8,435
Interest Expense	(121,230)	(63,448)	0	0	(184,678)
Total Non-Operating Revenues/(Expenses)	(119,198)	(62,817)	0	0	(182,015)
Net Income/(Loss) Before Capital Contributions and Transfers	580,575	262,724	(12,791)	50,699	881,207
Capital Contributions and Transfers:					
Capital Contribution	0	59,768	0	0	59,768
Transfers In	0	0	0	46,014	46,014
Transfers Out	0	0	(22,000)	0	(22,000)
Total Capital Contributions and Transfers	0	59,768	(22,000)	46,014	83,782
Change in Net Position	580,575	322,492	(34,791)	96,713	964,989
Net Position - July 1, 2016, As Restated/Reclassified	12,035,907	12,704,184	109,371	21,667	24,871,129
Net Position - June 30, 2017	\$ 12,616,482	\$ 13,026,676	\$ 74,580	\$ 118,380	\$ 25,836,118

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

CITY OF RUTLAND, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds		Non-Major Funds		Total
	Water Fund	Sewer Fund	Parking Meter Fund	Transit Center Management Fund	
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 3,489,051	\$ 5,312,470	\$ 186,250	\$ 206,682	\$ 9,194,453
Payments for Goods and Services	(595,789)	(1,867,888)	(30,284)	(355,522)	(2,849,483)
Payments for Interfund Services	(678,775)	(678,775)	(15,000)	0	(1,372,550)
Payments for Wages and Benefits	(979,399)	(1,581,765)	(127,345)	0	(2,688,509)
Net Cash Provided/(Used) by Operating Activities	<u>1,235,088</u>	<u>1,184,042</u>	<u>13,621</u>	<u>(148,840)</u>	<u>2,283,911</u>
Cash Flows From Noncapital Financing Activities:					
Insurance Proceeds	10,600	0	0	0	10,600
Decrease/(Increase) in Due from Other Funds	68,911	55,601	0	0	124,512
(Decrease)/Increase in Due to Other Funds	0	32,906	0	136,668	169,574
Net Cash Provided by Noncapital Financing Activities	<u>79,511</u>	<u>88,507</u>	<u>0</u>	<u>136,668</u>	<u>304,686</u>
Cash Flows From Capital and Related Financing Activities:					
Transfers Received from Other Funds	0	0	0	46,014	46,014
Transfers Paid to Other Funds	0	0	(22,000)	0	(22,000)
Proceeds from Long-term Debt	31,908	115,730	0	0	147,638
Acquisition and Construction of Capital Assets	(837,805)	(301,524)	(69,211)	(33,842)	(1,242,382)
Principal Paid on Long-term Debt	(644,635)	(410,551)	0	0	(1,055,186)
Interest Paid on Long-term Debt	(122,673)	(64,252)	0	0	(186,925)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(1,573,205)</u>	<u>(660,597)</u>	<u>(91,211)</u>	<u>12,172</u>	<u>(2,312,841)</u>
Cash Flows From Investing Activities:					
Receipt of Interest and Dividends	7,804	631	0	0	8,435
Net Cash Provided by Investing Activities	<u>7,804</u>	<u>631</u>	<u>0</u>	<u>0</u>	<u>8,435</u>
Net Increase/(Decrease) in Cash	(250,802)	612,583	(77,590)	0	284,191
Cash - July 1, 2016, As Reclassified	<u>1,646,359</u>	<u>489,841</u>	<u>221,100</u>	<u>0</u>	<u>2,357,300</u>
Cash - June 30, 2017	<u>\$ 1,395,557</u>	<u>\$ 1,102,424</u>	<u>\$ 143,510</u>	<u>\$ 0</u>	<u>\$ 2,641,491</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	\$ 699,773	\$ 325,541	\$ (12,791)	\$ 50,699	\$ 1,063,222
Depreciation	433,270	753,562	9,333	22,098	1,218,263
(Increase)/Decrease in Receivables	80,405	111,173	(7,334)	(226,855)	(42,611)
(Increase)/Decrease in Prepaid Expenses	(46,859)	(227,877)	(1,000)	0	(275,736)
(Increase)/Decrease in Inventory	(4,625)	(6,811)	0	0	(11,436)
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Participation in VMERS	(53,773)	(23,261)	0	0	(77,034)
(Increase)/Decrease in Deferred Outflows of Resources Related to the City's Pension Plan	(11,515)	(28,316)	(1,949)	0	(41,780)
Increase/(Decrease) in Accounts Payable	13,026	3,679	(7,818)	5,218	14,105
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(63,524)	(49,494)	1,372	0	(111,646)
Increase/(Decrease) in Unearned Revenue	7,611	(970)	0	0	6,641
Increase/(Decrease) in Compensated Absences Payable	13,808	15,716	1,759	0	31,283
Increase/(Decrease) in Other Postemployment Benefits	(10,638)	(4,336)	12,134	0	(2,840)
Increase/(Decrease) in Net Pension Liability	21,219	(70,405)	(6,648)	0	(55,834)
Increase/(Decrease) in Deferred Inflows of Resources Related to the City's Pension Plan	156,910	385,841	26,563	0	569,314
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,235,088</u>	<u>\$ 1,184,042</u>	<u>\$ 13,621</u>	<u>\$ (148,840)</u>	<u>\$ 2,283,911</u>

The Water Fund disposed of capital assets with a cost and accumulated depreciation of \$77,730 and \$61,358, respectively.

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

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

There was \$69,211 of capital acquisitions in the Parking Meter Fund included in accounts payable at June 30, 2016.

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

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

CITY OF RUTLAND, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 0	\$ 57,798
Investments	82,035,302	338,405
Receivables - Employer and Employees	<u>279,941</u>	<u>0</u>
Total Assets	<u>82,315,243</u>	<u>396,203</u>
<u>LIABILITIES</u>		
Liabilities:	<u>0</u>	<u>0</u>
<u>NET POSITION</u>		
Restricted:		
Held in Trust For:		
Employees' Pension Benefits	82,315,243	0
Other Purposes	<u>0</u>	<u>396,203</u>
Total Net Position	<u>\$ 82,315,243</u>	<u>\$ 396,203</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Pension Trust Fund	Private-Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Employer Contributions	\$ 3,097,224	\$ 0
Employee Contributions	1,345,914	0
Investment Income	9,068,457	19,968
Donations	<u>0</u>	<u>800</u>
Total Additions	<u>13,511,595</u>	<u>20,768</u>
Deductions:		
Benefits - Pension	6,017,866	0
Investment Management Fee	382,701	0
Music Programs	<u>0</u>	<u>5,000</u>
Total Deductions	<u>6,400,567</u>	<u>5,000</u>
Change in Net Position	7,111,028	15,768
Net Position - July 1, 2016, As Restated/Reclassified	<u>75,204,215</u>	<u>380,435</u>
Net Position - June 30, 2017	<u>\$ 82,315,243</u>	<u>\$ 396,203</u>

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

This report includes all of the activity of the City of Rutland, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. The Rutland Redevelopment Authority is the only entity that meets this definition and, as a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Based on these criteria, there are no other entities that should be combined with the financial statements of the City.

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

B. Basis of Presentation

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The basic financial statements of the City include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the City as a whole and present a longer-term view of the City's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the City and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The City reports on the following major governmental fund:

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

The City reports on the following major enterprise funds:

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

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

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Additionally, the City reports the following fund types:

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

E. Use of Estimates

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

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

1. Cash

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

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

2. Investments

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

3. Receivables

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

4. Internal Balances

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

5. Inventories and Prepaid Expenses

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

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

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

6. Pensions

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

CITY OF RUTLAND, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

7. Deferred Outflows/Inflows of Resources

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

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

8. Capital Assets

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

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

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

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

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

9. Compensated Absences

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

10. Other Postemployment Benefits

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

11. Long-term Liabilities

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

12. Fund Equity

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

B. Budgeted Deficit

The City budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$350,000 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures in the General Fund exceeded appropriations by \$1,270,498. These over-expenditures were funded by excess revenues.

D. Separate Financial Statements

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

E. Restatement/Reclassification of Fund Balances/Net Position

The net position of the governmental activities, business-type activities and fiduciary funds were restated/reclassified as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds Private-Purpose Trust Funds
Net Position - June 30, 2016, As Originally Reported	\$ 3,517,436	\$ 25,863,017	\$ 195,470
Correction of Errors:			
(Overstatement)/Understatement of Receivables	543,250	897,000	0
(Overstatement)/Understatement of Loans Receivable	(1,150,684)	0	0
(Overstatement)/Understatement of Due from Component Unit	50,000	0	0
(Overstatement)/Understatement of Capital Assets	17,046,828	0	0
(Overstatement)/Understatement of Deferred Outflows of Resources Related to the City's Participation in VMERS	183,596	0	0
(Overstatement)/Understatement of Deferred Outflows of Resources Related to the City's Pension Plan	1,025,285	1,007,027	0
Overstatement/(Understatement) of Due to Others	0	0	364,285
Overstatement/(Understatement) of Long-term Debt	(115,428)	97,600	0
Overstatement/(Understatement) of Other Postemployment Benefits Liability	1,390,959	539,125	0
Overstatement/(Understatement) of Net Pension Liability	4,709,150	(4,709,150)	0
Overstatement/(Understatement) of Deferred Inflows of Resources Related to the City's Pension Plan	(1,609,795)	(422,518)	0
Reclassification of Fund Types	<u>(1,419,708)</u>	<u>1,599,028</u>	<u>(179,320)</u>
Net Position - June 30, 2016, As Restated/Reclassified	\$ <u>24,170,889</u>	\$ <u>24,871,129</u>	\$ <u>380,435</u>

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The restatement of the governmental activities was the result of an understatement of receivables, an overstatement of loans receivable, an understatement of the amount due from the City's component unit, an understatement of capital assets, an understatement of deferred outflows of resources related to the City's participation in VMERS, an understatement of deferred outflows of resources related to the City's pension plan, an understatement of long-term debt, an overstatement of the City's other postemployment benefits liability, an overstatement of the City's net pension liability and an understatement of deferred inflows of resources related to the City's pension plan. The effect of this restatement on the governmental activities Statement of Net Position is to increase assets by \$16,489,394, increase deferred outflows of resources by \$1,208,881, decrease liabilities by \$5,984,681, increase deferred inflows of resources by \$1,609,795 and increase net position by \$22,073,161. The effect on the 2016 Statement of Activities has not been determined. In addition, the City reclassified the Water Capital Fund, the Water Vehicle Fund, the Sewer Capital Fund, the Sewer Vehicle Fund and the CSO Capital Fund to Proprietary Funds from Governmental Funds and the Property Escrow Fund and Recreation Activities Fund from Private-Purpose Trust Funds to Governmental Funds resulting in a \$1,419,708 decrease in the governmental activities net position.

The restatement of the business-type activities was the result of an understatement of unbilled water and sewer receivables, an understatement of deferred outflows of resources related to the City's pension plan, an overstatement of long-term debt, an overstatement of the City's other postemployment benefits liability, an understatement of the City's net pension liability and an understatement of deferred inflows of resources related to the City's pension plan. The effect of this restatement on the business-type activities Statement of Net Position is to increase assets by \$897,000, increase deferred outflows of resources by \$1,007,027, increase liabilities by \$4,072,425, increase deferred inflows of resources by \$422,518 and decrease net position by \$2,590,916. The effect on the 2016 Statement of Activities has not been determined. In addition, the City reclassified the Water Capital Fund, the Water Vehicle Fund, the Sewer Capital Fund, the Sewer Vehicle Fund and the CSO Capital Fund to Proprietary Funds from Governmental Funds resulting in a \$1,599,028 increase in the business-type activities net position.

The restatement of the Fiduciary Funds was the result of an overstatement of the amount due to others. The effect of this restatement on the Fiduciary Funds Statement of Fiduciary Net Position is to decrease liabilities and increase net position by \$364,285. The effect on the 2016 Statement of Changes in Fiduciary Net Position has not been determined. In addition, the City reclassified the Property Escrow Fund and Recreation Activities Fund from Private-Purpose Trust Funds to Governmental Funds resulting in a \$179,320 decrease in the Fiduciary Funds net position.

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The fund balances/net position of the Governmental Funds and Proprietary Funds were restated/reclassified as follows:

	Governmental Funds		Proprietary Funds		
	General Fund	Non-Major Governmental Funds	Water Fund	Sewer Fund	Parking Meter Fund
Fund Balances/Net Position - June 30, 2016, As Originally Reported	\$ 4,656,331	\$ 4,746,865	\$ 11,348,812	\$ 14,258,976	\$ 233,562
Correction of Errors:					
Understatement of Unbilled Receivables	0	0	390,000	507,000	0
Understatement of Due from Component Unit	50,000	0	0	0	0
Understatement of Deferred Outflows of Resources Related to the City's Pension Plan	0	0	277,550	682,492	46,985
Overstatement/(Understatement) of Long-term Debt	0	0	0	97,600	0
Overstatement/(Understatement) of Other Postemployment Benefits Liability	0	0	228,293	242,580	68,252
Overstatement/(Understatement) of Net Pension Liability	0	0	(1,297,904)	(3,191,531)	(219,715)
Overstatement/(Understatement) of Deferred Inflows of Resources Related to the City's Pension Plan	0	0	(116,452)	(286,353)	(19,713)
Reclassification of Fund Types	<u>646,924</u>	<u>(2,066,632)</u>	<u>1,205,608</u>	<u>393,420</u>	<u>0</u>
Fund Balances/Net Position - June 30, 2016, As Reclassified	\$ <u>5,353,255</u>	\$ <u>2,680,233</u>	\$ <u>12,035,907</u>	\$ <u>12,704,184</u>	\$ <u>109,371</u>

The restatement of the General Fund was the result of an understatement of the amount due from the City's component unit. The effect of this restatement on the General Fund Balance Sheet is to increase assets and fund balance by \$50,000. The effect on the 2016 Statement of Revenues, Expenditures and Changes in Fund Balance has not been determined. In addition, the City reclassified the Property Escrow Fund from a Private-Purpose Trust Fund to a Governmental Fund which is included with the General Fund and combined the Zamias Impact Fee Fund and the Special Business Revolving Loan Fund with the General Fund as they do not qualify to be reported as separate Special Revenue Funds which resulted in a \$646,924 increase in the General Fund fund balance.

The City reclassified the Water Capital Fund, the Water Vehicle Fund, the Sewer Capital Fund, the Sewer Vehicle Fund and the CSO Capital Fund to Proprietary Funds from Non-Major Governmental Funds and the Recreation Activities Fund from a Private-Purpose Trust Fund to a Non-Major Governmental Fund resulting in a \$2,066,632 decrease in the Non-Major Governmental Funds fund balance.

The restatement of the Water Fund was the result of an understatement of unbilled receivables, an understatement of deferred outflows of resources related to the City's pension plan, an overstatement of the City's other postemployment benefits liability, an understatement of the City's net pension liability and an understatement of deferred inflows of resources related to the City's pension plan. The effect of this restatement on the Water Fund Statement of Fund Net Position is to increase assets by \$390,000, increase deferred outflows of resources by \$277,550, increase liabilities by \$1,069,611, increase deferred inflows of resources by \$116,452 and decrease net position by \$518,513. The effect on the 2016 Statement of Revenues, Expenses and Changes in Fund Net Position has not been determined. In addition, the City reclassified the Water Capital Fund and the Water Vehicle Fund to Proprietary Funds from Governmental Funds resulting in a \$1,205,608 increase in the Water Fund net position.

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The restatement of the Sewer Fund was the result of an understatement of unbilled receivables, an understatement of deferred outflows of resources related to the City's pension plan, an overstatement of long-term debt, an overstatement of the City's other postemployment benefits liability, an understatement of the City's net pension liability and an understatement of deferred inflows of resources related to the City's pension plan. The effect of this restatement on the Sewer Fund Statement of Fund Net Position is to increase receivables by \$507,000, increase deferred outflows of resources by \$682,492, increase liabilities by \$2,851,351, increase deferred inflows of resources by \$286,353 and decrease net position by \$1,948,212. The effect on the 2016 Statement of Revenues, Expenses and Changes in Fund Net Position has not been determined. In addition, the City reclassified the Sewer Capital Fund, the Sewer Vehicle Fund and the CSO Capital Fund to Proprietary Funds from Governmental Funds resulting in a \$393,420 increase in the Sewer Fund net position.

The restatement of the Parking Meter Fund was the result of an understatement of deferred outflows of resources related to the City's pension plan, an overstatement of the City's other postemployment benefits liability, an understatement of the City's net pension liability and an understatement of deferred inflows of resources related to the City's pension plan. The effect of this restatement on the Parking Meter Fund Statement of Fund Net Position is to increase deferred outflows of resources by \$46,985, increase liabilities by \$151,463, increase deferred inflows of resources by \$19,713 and decrease net position by \$124,191. The effect on the 2016 Statement of Revenues, Expenses and Changes in Fund Net Position has not been determined.

The net position of the Rutland Redevelopment Authority has been restated as a result of an understatement of the amount due to the primary government. The effect of this restatement on the Statement of Net Position is to increase liabilities by \$50,000 and decrease net position by \$50,000. The effect on the 2016 Statement of Activities has not been determined.

The City reclassified the Water Capital Fund, the Water Vehicle Fund, the Sewer Capital Fund, the Sewer Vehicle Fund and the CSO Capital Fund to Proprietary Funds from Governmental Funds resulting in an increase of beginning cash balances in the Water Fund and Sewer Fund of \$1,205,608 and \$393,420, respectively.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City's cash and investments as of June 30, 2017 consisted of the following:

Restricted Cash:

Money Market Mutual Fund – U.S. Government Securities	\$ <u>2,805,440</u>
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Unrestricted Cash:

Deposits with Financial Institutions	9,851,097
Deposits with Investment Company	28,353
Cash on Hand	<u>2,040</u>

Total Unrestricted Cash	<u>9,881,490</u>
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Total Cash	<u>12,686,930</u>
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CITY OF RUTLAND, VERMONT
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Investments:

Certificates of Deposit	\$ 734,485
Corporate Bonds	24,534
Common Stock	244,710
Preferred Stock	17,906
Mutual Funds – Mixed Holdings	75,085,052
Annuity Contract	<u>7,001,505</u>
 Total Investments	 <u>83,108,192</u>
 Total Cash and Investments	 <u>\$95,795,122</u>

The City has three (3) certificates of deposit with various banks ranging from \$244,180 to \$246,073 with interest rates ranging from 1.24% to 1.34%. The City’s certificates of deposit will mature by fiscal year 2019.

Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 1,265,109	\$ 1,315,567
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	4,156,906	4,676,483
Insured by Letter of Credit Issued by Federal Home Loan Bank	1,100,000	1,100,000
Uninsured, Uncollateralized	<u>4,091,920</u>	<u>4,195,761</u>
 Total	 <u>\$10,613,935</u>	 <u>\$11,287,811</u>

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

\$2,080,000 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

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The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 9,851,097
Cash – Deposits with Investment Company	28,353
Investments – Certificates of Deposit	<u>734,485</u>
Total	<u>\$10,613,935</u>

The Rutland Redevelopment Authority had \$252,246 of deposits with financial institutions with a bank balance was \$302,704 which was fully insured by the FDIC. These amounts are included in the previous tables.

Interest Rate Risk

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

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

Investment Type	Remaining Maturity 5 to 10 Years
Corporate Bonds	\$ 24,534

Credit Risk

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

Investment Type	Standard and Poor's Rating as of June 30, 2017
Corporate Bonds	\$ BBB 24,534

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Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the City's investments are held within one security. The City does not have any limitations on the amount that can be invested in any one issuer. The City's certificates of deposit, common stock and preferred stock are exempt from concentration of credit risk analysis. The money market mutual fund and mutual funds are open ended and are, therefore, also excluded from the concentration of credit risk analysis. The City has \$7,001,505 (8%) of their investments in a guaranteed deposit account with PRIAC. The City has \$24,534, (100%), of their corporate bonds invested in Ford Motor Credit.

Restricted Cash

In 2016, the City received a \$1 million bond from the Vermont Municipal Bond Bank for bridge projects. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond. The amount restricted as of June 30, 2017 is \$296,262.

In 2017, the City received a \$2.5 million bond from the Vermont Municipal Bond Bank for White's Park pool construction. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond. The amount restricted as of June 30, 2017 is \$2,509,178.

Total restricted cash as of June 30, 2017 is \$2,805,440.

B. Receivables

Receivables as of June 30, 2017, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 1,176,259	\$ 0	\$ 1,176,259
Penalties, Interest and Related Fees Receivable	329,696	0	329,696
Tax Sale Receivable	118,279	40,737	159,016
Bankruptcy Receivable	43,477	19,153	62,630
Rooms, Meals and Entertainment			
Taxes Receivable	37,943	0	37,943
Impact Fees Receivable	498,421	0	498,421
Parking Tickets Receivable		437,810	437,810
Grants Receivable	239,427	59,768	299,195
Accounts Receivable	70,074	59,021	129,095
Due from State of Vermont		254,855	254,855
Billed Services	38,250	2,222,442	2,260,692
Unbilled Services	0	897,000	897,000
Allowance for Doubtful Accounts - Taxes	(212,000)	0	(212,000)
Allowance for Doubtful Accounts - Parking Tickets	0	(394,770)	(394,770)
	<u>0</u>	<u>(394,770)</u>	<u>(394,770)</u>
 Total	 \$ 2,339,826	 \$ 3,596,016	 \$ 5,935,842

The Rutland Redevelopment Authority had \$996 of miscellaneous receivables as of June 30, 2017.

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C. Loans Receivable

Loans receivable as of June 30, 2017 are as follows:

Loan Receivable, Columbian Ave, Interest at 0%, Deferred Until June 7, 2026 at which Time all Principal is Due, Secured by Real Estate	\$ 280,200
Loan Receivable, Rutland Housing Partnership, Interest at 0%, Deferred Until October 6, 2040 at Which Time all Principal is Due, Secured by Real Estate	750,000
Loan Receivable, Tuttle Block Housing Limited Partnership, Interest at 0%, Deferred Until August 10, 2034 at Which Time all Principal is Due, Secured by Real Estate	600,000
Loan Receivable, Rutland County Community Land Trust, Interest at 0%, Due May 6, 2026, Payable only Upon Sale or Change in Use of Building, Forgiven over Term of Loan	92,926
Loan Receivable, Hickory Street, Interest at 0%, Deferred Until November 1, 2043 at Which Time all Principal is Due, Secured by Real Estate	147,000
Loans Receivable, 12 Business Loans, Monthly Principal and Interest Payments, Interest Rates Ranging from 0% to 2%, Various Due Dates, Secured by Business Assets	<u>125,104</u>
Total	1,995,230
Less: Allowance for Doubtful Loans Receivable	<u>(1,870,126)</u>
Reported Value as of June 30, 2017	\$ <u>125,104</u>

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D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 4,358,234	\$ 175,325	\$ 0	\$ 4,533,559
Construction in Progress	<u>15,169,758</u>	<u>2,710,901</u>	<u>16,763,977</u>	<u>1,116,682</u>
Total Capital Assets, Not Being Depreciated	<u>19,527,992</u>	<u>2,886,226</u>	<u>16,763,977</u>	<u>5,650,241</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,365,480	19,458	0	2,384,938
Buildings and Building Improvements	7,602,574	37,569	0	7,640,143
Vehicles, Machinery and Equipment	9,838,872	733,926	180,491	10,392,307
Infrastructure	<u>41,902,668</u>	<u>17,558,856</u>	<u>0</u>	<u>59,461,524</u>
Totals	<u>61,709,594</u>	<u>18,349,809</u>	<u>180,491</u>	<u>79,878,912</u>
Less Accumulated Depreciation for:				
Land Improvements	744,607	110,974	0	855,581
Buildings and Building Improvements	3,403,896	136,187	0	3,540,083
Vehicles, Machinery and Equipment	6,915,375	426,178	180,091	7,161,462
Infrastructure	<u>31,869,241</u>	<u>831,352</u>	<u>0</u>	<u>32,700,593</u>
Totals	<u>42,933,119</u>	<u>1,504,691</u>	<u>180,091</u>	<u>44,257,719</u>
Total Capital Assets, Being Depreciated	<u>18,776,475</u>	<u>16,845,118</u>	<u>400</u>	<u>35,621,193</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,304,467</u>	<u>\$ 19,731,344</u>	<u>\$ 16,764,377</u>	<u>\$ 41,271,434</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,043,929	\$ 0	\$ 0	\$ 3,043,929
Construction in Progress	<u>0</u>	<u>801,790</u>	<u>0</u>	<u>801,790</u>
Total Capital Assets, Not Being Depreciated	<u>3,043,929</u>	<u>801,790</u>	<u>0</u>	<u>3,845,719</u>
Capital Assets, Being Depreciated:				
Land Improvements	35,825	0	0	35,825
Vehicles, Machinery and Equipment	6,169,971	372,439	77,730	6,464,680
Buildings, Distribution and Collection Systems	<u>50,050,943</u>	<u>455,731</u>	<u>0</u>	<u>50,506,674</u>
Totals	<u>56,256,739</u>	<u>828,170</u>	<u>77,730</u>	<u>57,007,179</u>
Less Accumulated Depreciation for:				
Land Improvements	13,136	2,388	0	15,524
Vehicles, Machinery and Equipment	4,342,056	233,352	61,358	4,514,050
Buildings, Distribution and Collection Systems	<u>17,121,482</u>	<u>982,523</u>	<u>0</u>	<u>18,104,005</u>
Totals	<u>21,476,674</u>	<u>1,218,263</u>	<u>61,358</u>	<u>22,633,579</u>
Total Capital Assets, Being Depreciated	<u>34,780,065</u>	<u>(390,093)</u>	<u>16,372</u>	<u>34,373,600</u>
Business-type Activities Capital Assets, Net	<u>\$ 37,823,994</u>	<u>\$ 411,697</u>	<u>\$ 16,372</u>	<u>\$ 38,219,319</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 38,611	Water	\$ 433,270
Public Safety	213,281	Sewer	753,562
Public Works	1,062,733	Parking Meter	9,333
Culture and Recreation	<u>190,066</u>	Transit Center Management	<u>22,098</u>
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	<u>\$ 1,504,691</u>		<u>\$ 1,218,263</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 683,802	\$ 0
Non-Major Governmental Funds	384	379,492
Water Fund	11,089	0
Sewer Fund	0	32,906
Transit Center Management Fund	<u>0</u>	<u>282,877</u>
Total	<u>\$ 695,275</u>	<u>\$ 695,275</u>

Interfund transfers during the year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Equipment Replacement Fund	\$ 120,000	Appropriation
General Fund	Fire Equipment Fund	40,000	Appropriation
General Fund	Bridge Fund	32,702	Transfer Prior Year Bridgework Budget Surplus
General Fund	Sidewalk Fund	33,233	Transfer Prior Year Sidewalk Budget Surplus
General Fund	Transit Center Management Fund	24,014	Fund Capital Purchase
Zamias Impact Fee Fund	General Fund	135,675	* Fund Local Match
Parking Meter Fund	Transit Center Management Fund	<u>22,000</u>	Fund Capital Purchase
Total		<u>\$ 407,624</u>	

* The transfer from the Zamias Impact Fee Fund to the General Fund is netted within the General Fund as this fund is consolidated within the General Fund in order to comply with GASB Statement No. 54.

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F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$30,157 from the difference between the expected and actual experience, \$235,753 from changes in assumptions, \$475,990 from the difference between the projected and actual investment earnings and \$341,101 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$221,926 of required employer pension contributions subsequent to the measurement date. It also includes \$214,833 from the difference between the expected and actual experience, \$135,760 from changes in assumptions, \$1,761,363 from the difference between the projected and actual investment earnings and \$1,884,005 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred outflows of resources in the governmental activities is \$5,300,888.

Deferred outflows of resources in the business-type activities consists of \$1,780 from the difference between the expected and actual experience, \$13,918 from changes in assumptions, \$28,099 from the difference between the projected and actual investment earnings and \$20,136 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$13,101 of required employer pension contributions subsequent to the measurement date. It also includes \$56,386 from the difference between the expected and actual experience, \$35,633 from changes in assumptions, \$462,299 from the difference between the projected and actual investment earnings and \$494,489 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred outflows of resources in the business-type activities is \$1,125,841.

Deferred outflows of resources in the Water Fund consists of \$1,242 from the difference between the expected and actual experience, \$9,716 from changes in assumptions, \$19,614 from the difference between the projected and actual investment earnings and \$14,056 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$9,145 of required employer pension contributions subsequent to the measurement date. It also includes \$15,540 from the difference between the expected and actual experience, \$9,821 from changes in assumptions, \$127,416 from the difference between the projected and actual investment earnings and \$136,288 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred outflows of resources in the Water Fund is \$342,838.

Deferred outflows of resources in the Sewer Fund consists of \$538 from the difference between the expected and actual experience, \$4,202 from changes in assumptions, \$8,485 from the difference between the projected and actual investment earnings and \$6,080 from changes in the City's proportional share of contributions related to the City's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$3,956 of required employer pension contributions subsequent to the measurement date. It also includes \$38,215 from the difference between the expected and actual experience, \$24,149 from changes in assumptions, \$313,314 from the difference between the projected and actual investment earnings and \$335,130 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred outflows of resources in the Sewer Fund is \$734,069.

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Deferred outflows of resources in the Parking Meter Fund consists of \$2,631 from the difference between the expected and actual experience, \$1,663 from changes in assumptions, \$21,569 from the difference between the projected and actual investment earnings and \$23,071 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred outflows of resources in the Parking Meter Fund is \$48,934.

G. Unearned Revenue

Unearned revenue in the General Fund consists of \$72,879 of recreation fees and \$20,515 of grant revenue received in advance. Total unearned revenue in the General Fund is \$93,394.

Unearned revenue in the business-type activities consists of \$11,901 of user fees received in advance.

Unearned revenue in the Water Fund consists of \$9,961 of user fees received in advance.

Unearned revenue in the Sewer Fund consists of \$1,940 of user fees received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$28,576 of prepaid property taxes. It also includes \$1,062,140 from the difference between the expected and actual experience, \$1,114,954 from the difference between the projected and actual investment earnings and \$1,601,789 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred inflows of resources in the governmental activities is \$3,807,459.

Deferred inflows of resources in the business-type activities consists of \$278,777 from the difference between the expected and actual experience, \$292,639 from the difference between the projected and actual investment earnings and \$420,416 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred inflows of resources in the business-type activities is \$991,832.

Deferred inflows of resources in the Water Fund consists of \$76,835 from the difference between the expected and actual experience, \$80,655 from the difference between the projected and actual investment earnings and \$115,872 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred inflows of resources in the Water Fund is \$273,362.

Deferred inflows of resources in the Sewer Fund consists of \$188,935 from the difference between the expected and actual experience, \$198,330 from the difference between the projected and actual investment earnings and \$284,929 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred inflows of resources in the Sewer Fund is \$672,194.

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Deferred inflows of resources in the Parking Meter Fund consists of \$13,007 from the difference between the expected and actual experience, \$13,654 from the difference between the projected and actual investment earnings and \$19,615 from changes in the proportional share of contributions by the City and Rutland Public Schools related to the City's multiple-employer defined benefit plan. Total deferred inflows of resources in the Parking Meter Fund is \$46,276.

Deferred inflows of resources in the General Fund consists of \$28,576 of prepaid property taxes and \$1,220,730 of delinquent property taxes, penalties, interest and related fees on those taxes, \$88,270 of miscellaneous fees, \$498,421 of impact fees and \$83,709 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$125,104 of loans receivable. Total deferred inflows of resources in the General Fund is \$2,044,810.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$38,250 of miscellaneous fees not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the Non-Major Governmental Funds is \$38,250.

I. Long-term Liabilities

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

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

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

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

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

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

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

Long-term liabilities outstanding as of June 30, 2017 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Capital Improvements, Principal Payments of \$140,000 Payable on December 1 Annually, Interest Ranging from 5.48% to 5.64% Payable on June 1 and December 1, Due December, 2020	\$ 700,000	\$ 0	\$140,000	\$ 560,000
Bond Payable, U.S. Department of Agriculture, Library Roof, Principal Payments of \$46,320 Payable on November 15 Annually, Interest at 3.75% Payable on May 15 and November 15, Due November, 2021	277,920	0	46,320	231,600
Bond Payable, Vermont Municipal Bond Bank, Bridge Improvements, Principal Payments of \$33,333 Payable on November 15 Annually, Interest at 3.53% Payable on May 15 and November 15, Due November, 2042	899,991	0	33,333	866,658
Note Payable, Community Bank, N.A., Capital Improvements, Principal Payments of \$35,000 Payable on November 17 Annually, Interest at 2.45%, Due November, 2024	315,000	0	35,000	280,000
Bond Payable, Vermont Municipal Bond Bank, Bridge Improvements, Principal Payments of \$33,333 Payable on November 1 Annually, Interest Ranging from 0.83% to 4.40% Payable on May 1 and November 1, Due November, 2045	1,000,000	0	33,333	966,667

CITY OF RUTLAND, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, White's Pool, Principal Payments of \$125,000 Payable on November 1 Annually Beginning November, 2017, Interest Ranging from 1.49% to 3.09% Payable on May 1 and November 1, Due November, 2036	\$ 0	\$2,500,000	\$ 0	\$2,500,000
Capital Lease Payable, John Deere Credit, 2015 Backhoe, Principal and Interest Payments of \$23,202 Payable on October 19 Annually, Interest at 2%, Due October, 2019	88,308	0	21,419	66,889
Capital Lease Payable, Ford Motor Credit, (3) 2015 Police Cruisers, Principal and Interest Payments of \$28,476 Payable on October 7 Annually, Interest at 5%, Due and Paid October, 2016	27,120	0	27,120	0
Capital Lease Payable, Ford Motor Credit, (3) 2017 Police Cruisers, Principal and Interest Payments of \$29,582 Payable on February 24 Annually, Interest at 4.5%, Due February, 2019	<u>0</u>	<u>84,980</u>	<u>29,582</u>	<u>55,398</u>
Total Governmental Activities	<u>\$3,308,339</u>	<u>\$2,584,980</u>	<u>\$366,107</u>	<u>\$5,527,212</u>

Business-type Activities:

Water Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Community Bank, N.A., Current Expense Note, Principal Payments of \$600,000 Payable on June 30 Annually, Interest at 2.75%, Due June, 2020. This is the Water Fund Portion of the Note.	\$ 1,800,000	\$ 0	\$ 450,000	\$ 1,350,000
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments of \$95,000 Payable on December 1 Annually, Interest Ranging from 4.43% to 5.00% Payable on June 1 and December 1, Due December, 2022	665,000	0	95,000	570,000

CITY OF RUTLAND, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Roof Repair, Principal and Interest Payments of \$115,546 Payable on December 1 Annually, 1% Interest, 2% Administrative Fee, Due December, 2032	\$ 1,521,297	\$ 0	\$ 69,907	\$ 1,451,390
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Authorized to \$1,300,000, Principal and Interest Payments of \$26,109 Payable on December 1 Annually Beginning December, 2018, Interest at -3%, Due December, 2047	0	31,908	0	31,908
Capital Lease Payable, Kansas State Bank, Wheeled Excavator, Principal and Interest Payments of \$31,512 Payable on October 17 Annually, Interest at 2.96%, Due and Paid October, 2017	<u>60,335</u>	<u>0</u>	<u>29,728</u>	<u>30,607</u>
Total Water Fund	<u>4,046,632</u>	<u>31,908</u>	<u>644,635</u>	<u>3,433,905</u>
Sewer Fund:				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Community Bank, N.A., Current Expense Note, Principal Payments of \$600,000 Payable on June 30 Annually, Interest at 2.75%, Due June, 2020. This is the Sewer Fund Portion of the Note.	600,000	0	150,000	450,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Construction, Principal Payments of \$160,000 Payable on July 1 Annually, 0% Interest, Due July, 2027	1,920,000	0	160,000	1,760,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, CSO Construction, Principal Payments of \$80,000 Payable on November 1 Annually, Interest Ranging from 4.33% to 4.67% Payable on May 1 and November 1, Due November, 2027	\$ 960,000	\$ 0	\$ 80,000	\$ 880,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO West/Crescent Street Improvements, Principal and Administrative Fee Payments of \$28,212 Payable on October 1 Annually, 0% Interest, 2% Administrative Fee, Due October, 2031	383,060	0	20,551	362,509
Bond Payable, State of Vermont Special Environmental Revolving Fund, Stormwater Engineering Project, Authorized to \$5,138,620 in Total but Eligible for \$100,000 Subsidy, Principal and Administrative Fee Payments of \$308,145 Payable on March 1 Annually Beginning March, 2018, 0% Interest, 2% Administrative Fee, Due March, 2036	4,919,172	0	0	4,919,172
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer System Improvements, Authorized to \$251,022, Principal Payments of \$25,102 Payable on August 1 Annually Beginning August, 2021, 0% Interest, Due August, 2030	<u>0</u>	<u>115,730</u>	<u>0</u>	<u>115,730</u>
Total Sewer Fund	<u>8,782,232</u>	<u>115,730</u>	<u>410,551</u>	<u>8,487,411</u>
Total Business-type Activities	<u>\$12,828,864</u>	<u>\$147,638</u>	<u>\$1,055,186</u>	<u>\$11,921,316</u>

CITY OF RUTLAND, VERMONT
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Changes in long-term liabilities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 2,877,911	\$ 2,500,000	\$ 252,986	\$ 5,124,925	\$ 377,986
Notes Payable	315,000	0	35,000	280,000	35,000
Capital Leases Payable	115,428	84,980	78,121	122,287	48,941
Compensated Absences Payable	2,420,060	68,190	0	2,488,250	0
Other Postemployment Benefits	3,057,307	43,270	0	3,100,577	0
Net Pension Liability - VMERS	216,270	1,251,710	0	1,467,980	0
Net Pension Liability - City's Pension Plan	17,941,884	0	542,901	17,398,983	0
Total Governmental Activities					
Long-term Liabilities	<u>\$ 26,943,860</u>	<u>\$ 3,948,150</u>	<u>\$ 909,008</u>	<u>\$ 29,983,002</u>	<u>\$ 461,927</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 10,368,529	\$ 147,638	\$ 425,458	\$ 10,090,709	\$ 661,449
Notes Payable	2,400,000	0	600,000	1,800,000	600,000
Capital Leases Payable	60,335	0	29,728	30,607	30,607
Compensated Absences Payable	328,351	31,283	0	359,634	0
Other Postemployment Benefits	1,184,828	0	2,840	1,181,988	0
Net Pension Liability - VMERS	0	86,660	0	86,660	0
Net Pension Liability - City's Pension Plan	4,709,150	0	142,494	4,566,656	0
Total Business-type Activities					
Long-term Liabilities	<u>\$ 19,051,193</u>	<u>\$ 265,581</u>	<u>\$ 1,200,520</u>	<u>\$ 18,116,254</u>	<u>\$ 1,292,056</u>

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

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2018	\$ 412,986	\$ 129,010	\$ 52,784	\$ 1,261,449	\$ 257,179	\$ 31,512
2019	412,986	123,366	52,784	1,242,068	223,266	0
2020	412,986	108,748	23,202	1,248,950	192,214	0
2021	412,986	117,630	0	655,992	161,075	0
2022	272,986	116,899	0	688,301	126,864	0
2023-2027	1,063,330	498,914	0	3,140,741	545,690	0
2028-2032	958,330	356,917	0	2,202,245	297,286	0
2033-2037	958,331	200,027	0	1,445,164	91,662	0
2038-2042	333,335	76,122	0	0	0	0
2043-2046	166,669	12,546	0	0	0	0
Total	5,404,925	1,740,179	128,770	11,884,910	1,895,236	31,512
Less: Imputed Interest	0	0	(6,483)	0	0	(905)
Plus: Principal to be Forgiven (To be Converted to Grant)	0	0	0	5,799	0	0
Total	<u>\$ 5,404,925</u>	<u>\$ 1,740,179</u>	<u>\$ 122,287</u>	<u>\$ 11,890,709</u>	<u>\$ 1,895,236</u>	<u>\$ 30,607</u>

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

J. Fund Balances

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

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

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

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

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

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

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

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

Major Fund

General Fund:

Nonspendable Prepaid Expenses	\$222,177
Nonspendable Inventories	<u>71,571</u>
Total Nonspendable Fund Balances	<u>\$293,748</u>

CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The fund balances in the following funds are restricted as follows:

Major Fund

General Fund:

Restricted for Whistle Repair Expenditures by Donations (Source of Revenue is Donations)	\$ 438
Restricted for Lister Education Expenses by State Statute (Source of Revenue is Grant Revenue)	7,016
Restricted for Drug Forfeiture Expenditures by Agreement (Source of Revenue is Grant Revenue)	176,625
Restricted for Community Policing Expenses by Donations (Source of Revenue is Donations)	3,789
Restricted for Police Department Honor Guard Expenses by Donations (Source of Revenue is Donations)	250
Restricted for Police Department Expenses by Donations (Source of Revenue is Donations)	250
Restricted for SBA Award Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	6,320
Restricted for Creek Path Expenditures by Donations (Source of Revenue is Donations)	14,837
Restricted for 62 Cleveland Ave Expenditures by Donations (Source of Revenue is Donations)	10,000
Restricted for Zoning Bylaws Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	8,000
Restricted for Rutland Bloom Expenses by Donations (Source of Revenue is Donations)	27,000
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Bridge Repair Expenditures	53,167
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Sidewalk Expenditures	<u>19,145</u>

Total General Fund	<u>326,837</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Records Preservation Fund Expenses by State Statute (Source of Revenue is Restoration Fees)	99,115
Restricted for Giorgetti Fund Expenses by Trust Agreement (Source of Revenue is Donations)	1,077,721
Restricted for VCDP Loan Fund Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	148,641
Restricted for Recreation Activities Fund Expenses by Donations (Source of Revenue is Donations)	<u>153,645</u>

Total Special Revenue Funds	<u>1,479,122</u>
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CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Capital Projects Funds:

Restricted for Bridge Repair Expenditures by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	\$ 296,262
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Bridge Repair Expenditures	96,998
Restricted for White’s Park Pool Construction by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	2,235,951
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Sidewalk Expenditures	<u>55,377</u>
Total Capital Projects Funds	<u>2,684,588</u>
Total Non-Major Funds	<u>4,163,710</u>
Total Restricted Fund Balances	<u>\$4,490,547</u>

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

Non-Major Fund

Equipment Replacement Fund:

Committed for Equipment Replacement by the Voters	\$ <u>107,859</u>
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The fund balances in the following funds are assigned as follows:

Major Fund

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2018	\$1,083,359
Assigned for Zamas Impact Fees Fund Expenses	348,347
Assigned for Special Business Revolving Loan Fund Expenses	145,420
Assigned for Police Expenses	15,521
Assigned for Home Depot Rotary Expenditures	34
Assigned for Recreation Roof Repair Expenditures	16,836
Assigned for Reappraisal Expenses	619,505
Assigned for Home Depot Rotary Expenditures	40,717
Assigned for City Website Expenses	900
Assigned for Strongs Avenue Expenditures	175,000
Assigned for Business Incentive Expenses	120,901
Assigned for MS4 Legal Expenses	475,000
Assigned for Pension Expenses	315,000
Assigned for Paving Expenditures	55,449
Assigned for Zoning Expenses	<u>6,000</u>
Total General Fund	<u>3,417,989</u>

CITY OF RUTLAND, VERMONT
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Non-Major Funds

Capital Projects Funds:

Assigned for Fire Department Expenditures	\$ 619,854
Assigned for Field Maintenance Expenditures	<u>17,626</u>

Total Non-Major Funds	<u>637,480</u>
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Total Assigned Fund Balances	<u>\$4,055,469</u>
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K. Restricted and Designated Net Position

The restricted net position of the City as of June 30, 2017 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by Statute	\$ 52,176
Restricted for Whistle Repair Expenditures by Donations	438
Restricted for Lister Education Expenses by State Statute	7,016
Restricted for Drug Forfeiture Expenditures by Agreement	176,625
Restricted for Community Policing Expenses by Donations	3,789
Restricted for Police Department Honor Guard Expenses	250
Restricted for Police Department Expenses by Donations	250
Restricted for SBA Award Expenses by Grant Agreement	6,320
Restricted for Creek Path Expenditures by Donations	14,837
Restricted for 62 Cleveland Ave Expenditures by Donations	10,000
Restricted for Zoning Bylaws Expenses by Grant Agreement	8,000
Restricted for Rutland Bloom Expenses by Donations	27,000
Restricted for Highway Expenditures by State Statute	224,687
Restricted for Records Preservation Fund Expenses by State Statute	99,115
Restricted for Giorgetti Fund Expenses by Donations	1,077,721
Restricted for VCDP Loan Fund Expenses by Grant Agreements	1,045,641
Restricted for Recreation Activities Fund Expenses by Donations	<u>153,645</u>

Total Governmental Activities	<u>\$2,907,510</u>
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The designated net position of the City as of June 30, 2017 consisted of the following:

Water Fund:

Designated for Water Capital Expenditures	\$1,282,218
Designated for Water Vehicle Expenditures	36,941
Designations in Excess of Unrestricted Net Position	<u>(1,319,159)</u>

Total Water Fund	<u>\$ 0</u>
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CITY OF RUTLAND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Sewer Fund:	
Designated for Sewer Capital Expenditures	\$ 195,323
Designated for Sewer Vehicle Expenditures	46,650
Designated for CSO Capital Expenditures	338,347
Designations in Excess of Unrestricted Net Position	<u>(580,320)</u>
 Total Sewer Fund	 \$ <u> 0</u>

The unrestricted deficit of \$802,777 in the Water Fund will be funded by future rate increases and operational surpluses.

The unrestricted deficit of \$1,186,181 in the Sewer Fund will be funded by future rate increases and operational surpluses.

The unrestricted deficit of \$199,117 in the Parking Meter Fund will be funded by future operational surpluses.

The unrestricted deficit of \$73,810 in the Transit Center Management Fund will be funded by future operational surpluses.

The net position held in trust for various purposes in the City’s Private-Purpose Trust Funds at June 30, 2017 consisted of the following:

Private-Purpose Trust Funds:	
Restricted for Emergency Fuel Expenses by Donations	\$ 16,957
Restricted for M. Garofano Memorial Fund by Donations	12,488
Restricted for Grace Stoolfire Trust Fund by Bequest	<u>366,758</u>
 Total Private-Purpose Trust Funds	 \$ <u>396,203</u>

V. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plans

The Vermont Municipal Employees’ Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2017, the retirement system consisted of 441 participating employers.

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

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

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

Pension Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the City's proportionate share of this was 1.2080% resulting in a net pension liability of \$1,554,640. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2016, the City's proportion of 1.2080% was an increase of 0.9275 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$539,278.

As of June 30, 2017, the City reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 31,937
Changes in assumptions	249,671
Difference between projected and actual investment earnings on pension assets	504,089
Changes in proportion and differences between employer contributions and proportionate share of contributions	361,237
Town's required employer contributions made subsequent to the measurement date	235,027
	\$ 1,381,961

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The deferred outflows of resources resulting from the City’s required employer contributions made subsequent to the measurement date in the amount of \$235,027 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2018	\$ 327,793
2019	327,793
2020	404,372
2021	<u>86,976</u>
Total	<u>\$1,146,934</u>

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

Amount – Group A – 1.47% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

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

Early Retirement Allowance:

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

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

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Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

Member Contributions – Group B – 4.875%. Group C – 10.00%.

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

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

Significant Actuarial Assumptions and Methods

The actuarial assumptions regarding the incidence of mortality, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Interest Rate: 7.95% per annum.

Salary increases: 5% per year.

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Deaths: Groups B and C – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for members of Groups B and C.

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing 5% per year.

Asset Valuation Method: Invested assets are reported at fair value.

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

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

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Discount Rate - The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$2,580,858	\$1,554,640	\$695,394

Additional Information

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

The City of Rutland Employees Retirement Plan

Plan Description

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

Funding Policy

The Plan requires members of the Police Department to contribute 6.7% of base salary during fiscal year 2017 and 7.08% in future years, members of the Fire Department to contribute 8.355% of base salary, members of the Public Works Department to contribute 5.5% of base salary during fiscal year 2017, 5.7% during fiscal year 2018 and 5.9% in future years and general city members to contribute 4.7% of base salary during fiscal year 2017, 5.4% during fiscal year 2018 and 5.5% in future years. The total actuarially determined contribution by the City to the system for 2017 was \$2,243,277 which was computed through an actuarial valuation performed as of January 1, 2017. The actual contribution made by the City to the system for 2017 was \$806,888.

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As of January 1, 2017, the City had 98 active members, 27 inactive members and 125 retirees and beneficiaries.

The market value of plan assets maintained at Prudential Financial is \$82,035,302 as of June 30, 2017.

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

As of June 30, 2017, the measurement date selected by the City of Rutland, the pension was funded at 68.38% and had a plan fiduciary net position of \$82,315,243 and a total pension liability of \$120,377,043 resulting in a net pension liability of \$38,061,800. The net pension liability was measured as of June 30, 2017. The City's proportionate share of this was 57.71% resulting in a net pension liability of \$21,965,640. The proportion of the net pension liability assigned to the City is done in a manner that reflects the separate relationships that constitute the collective net pension liability as of the valuation date. As of June 30, 2017, the City's proportion of the net pension liability of 57.71% was an increase of 3.16 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the City recognized pension expense of \$2,658,930.

As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 271,219	\$ 1,340,917
Changes in assumptions	171,393	0
Difference between projected and actual investment earnings on pension assets	2,223,662	1,407,593
Difference between proportional share and actual contributions	0	2,022,205
Amount recognized due to change in proportional share	<u>2,378,494</u>	<u>0</u>
	<u>\$ 5,044,768</u>	<u>\$ 4,770,715</u>

CITY OF RUTLAND, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
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The deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2018	\$ 451,748
2019	451,748
2020	134,866
2021	(395,100)
2022	(43,202)
Thereafter	<u>(326,007)</u>
Total	<u>\$ 274,053</u>

Significant Actuarial Assumptions and Methods

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

Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	The calculation is as follows:
	(1) The actuarial value at the beginning of the year, plus contributions and expected investment earnings, less benefit payments; plus
	(2) 20% of the difference between the market value at the end of the year and the adjusted actuarial value above
	(3) Not to exceed 80-120% of the actual market value
Investment Rate of Return	7.11%
Salary increases	4%
COLA Adjustment	None
Mortality Tables	2017 430(h) Annuitant & Non-Annuitant PBGC Table for Disabled Participants receiving Social Security Benefits

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Summary of Plan Provisions

Benefits

Normal Retirement Benefits

Normal Retirement Benefit	<p>Benefit Formula: <u>Police</u>: 2% of Final Average Compensation of each year of service before 1/1/07, plus 2.5% of Final Average Compensation for each year of service after 1/1/07 <u>Fire</u>: 2% of Final Average Compensation of each year of credited service, multiplied by 1.17 <u>DPW</u>: 2% of Final Average Compensation for each year of credited service <u>General</u>: 2% of Final Average Compensation for each year of credited service IRC415 maximum annual benefit: \$210,000</p>
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Compensation Definition	<p>Average of the 5 highest rates of compensation on January 1, in the last 10 years prior to distribution Annual salary up to \$265,000 considered</p>
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Vested Retirement Benefit	<p>Vesting Schedule: Cliff vesting (100% after 5 years) Computation period: Plan years Based on periods of service rounded to the nearest year</p>
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Accrued Retirement Benefit	<p>Units accrued to date</p>
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Form of Payment

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

Early Retirement Benefit

Early Retirement Benefit	<p>Retirement Benefit is reduced for early commencement payments, by reducing the Retirement Benefit at Normal Retirement Date by the following percentages: ½ of 1% for each month prior to the employee's Normal Retirement Date Eligibility Requirements: Minimum years of service: 10 Minimum age: 55</p>
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CITY OF RUTLAND, VERMONT
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Termination Benefit

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

Death Benefit

Pre-Retirement Death Benefit Non-Service Related:
(1) Must be active employee and eligible to retire early
(2) Benefit is 75% of participant's accrued benefit, reduced for early commencement and paid as if 50% Joint and Survivor option had been elected, payable to spouse
(3) If not eligible for spouse benefit, death benefit is return of employee contributions with interest
Service Related:
(1) No age or service requirement
(2) 100% of deceased participant's projected normal retirement benefit based on service to age 62, payable to spouse or children up to age 19

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

Disability Benefit

Disability Benefit Non-Service Related: No age requirement; 5 years of participation (15 years for General members). Benefit is accrued benefit at date of disability
Service Related: No age or service requirement. Benefit is 100% of the projected normal retirement benefit assuming constant future earnings and service to age 62, payable after 6 months

Discount Rate

The discount rate used to measure the total pension liability was 7.5% percent and represents the long-term expected rate of return on pension plan investments based on the current allocation of assets.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportion of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the liability would be if it were calculated using a discount rate that is one percent lower (6.5%) or one percent higher (8.5%):

<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$29,088,998	\$21,965,640	\$15,898,246

B. PROPERTY TAXES

The City is responsible for assessing and collecting its own property taxes, Rutland Redevelopment property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected four (4) times per year. During the tax year ended June 30, 2017, taxes became due and payable on August 31, 2016, November 15, 2016, February 15, 2017 and May 15, 2017. The City assesses a 5% late fee after each quarter due date. The City also assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Municipal	.9512	.9512
Streets	.3379	.3379
Library	.0703	.0703
Debt & Pension	.1159	.1159
County Tax	.0072	.0072
Social Agencies	.0311	.0311
Veteran Exemption	.0033	.0033
Rutland Redevelopment Authority	.4979	.4979
Education	<u>1.5607</u>	<u>1.6243</u>
Total	<u>3.5755</u>	<u>3.6391</u>

C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Vermont League of Cities and Citys Property and Casualty Intermunicipal Fund, Inc. covering each of those risk of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this coverage in any of the past three fiscal years. The City must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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

D. CONTINGENT LIABILITIES

The City participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

E. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City offers other postemployment benefits (OPEB) to qualified retirees for health, dental, vision and life insurance and the City has offered early retirement incentive to some employees to manage payroll expenses in the long-term. The City of Rutland's single-employer defined benefit OPEB Plan is administered by People's United Bank. 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 an unfunded liability over a period not to exceed thirty years.

As of June 30, 2017, the last measurement date, there were 261 covered participants, 111 members are retirees (or their spouses) receiving benefits and 150 members are active participants.

Funding Policy

Employees of the City are eligible for continued health, dental, vision and life benefits in retirement as prescribed in each of the City's union agreements. Employees must retire under the pension plan, but are eligible for OPEB upon either early retirement or normal retirement. Employees terminating prior to meeting the requirements for an early or normal pension are not eligible for OPEB. Public Works employees hired after October 1, 2011 must have 20 years of service and attain age 62 to be eligible for health benefits. Eligible retirees may continue participating in one of the plans offered to City active employees until attaining age 65. Employees not covered by one of the three union agreements are not eligible for health, dental and vision benefits. The City currently funds these benefits on a pay-as-you-go basis. Current union contracts provide for employees to share in the cost of benefits as follows:

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

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

Retiree cost sharing and pension cap are representative of the current ultimate rate in collective bargaining agreements. Fire cost sharing shown is effective July 1, 2016, Police is effective July 1, 2013 and Public Works is effective July 1, 2015.

Spousal Coverage

Fire: Spouses eligible for same benefit as retiree thru retiree attainment of age 65
Police: Current retiree spouses and spouses of future retirees who meet eligibility for retirement by 2020 are eligible for same benefit as retiree, thru age 65
Public Works: Current retiree spouses and spouses of future retirees who meet eligibility for retirement by June 30, 2023 are eligible for same benefit as retiree thru age 65

Life Insurance

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

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

Special Benefits Under Voluntary Early Retirement Incentive Programs

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

Special Disability Benefits

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

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Annual OPEB Cost and Net OPEB Obligation

The City's annual required contribution, annual OPEB cost, percentage of OPEB cost contributed and net postemployment benefit obligation for the plan for the years ended June 30, 2017, 2016 and 2015 are as follows:

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Annual Required Contribution (ARC)	\$ 629,069	\$ 559,854	\$ 672,385
Interest on the Net OPEB Obligation	148,475	145,992	140,468
Adjustment to ARC	<u>(230,651)</u>	<u>(226,793)</u>	<u>(218,212)</u>
Annual OPEB Cost	546,893	479,053	594,641
Employer Contribution Made During the Year	<u>(506,463)</u>	<u>(408,138)</u>	<u>(436,778)</u>
Increase in Net OPEB Obligation	40,430	70,915	157,863
Net OPEB Obligation, Beginning of Year	<u>4,242,135</u>	<u>4,171,220</u>	<u>4,013,357</u>
Net OPEB Obligation, End of Year	<u>\$ 4,282,565</u>	<u>\$ 4,242,135</u>	<u>\$ 4,171,220</u>
Percentage of Annual OPEB Cost Contribution	<u>92.61%</u>	<u>85.20%</u>	<u>73.45%</u>

Funded Status and Funding Progress

As of June 30, 2017, the last measurement date, the funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,754,476
Actuarial Value of Plan Assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 6,754,476</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$ 10,250,378
UAAL as a Percentage of Covered Payroll	65.89%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. The amounts determined regarding the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress presented on Schedule 5 as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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The ARC for the plan was determined as part of the July 1, 2015 actuarial valuation using the following methods and assumptions:

Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar
Remaining Amortization Period:	Initial: 30 Years Subsequent Cumulative Gains/Losses: 15 Years
Inflation Rate:	2.70%
Asset Valuation Method:	N/A
Investment Return:	3.50%
Healthcare Cost Trend Rate:	0.50% - 5.05%

Additional Information

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

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 15,444,150	\$ 15,367,857	\$ (76,293)
Rooms, Meals and Entertainment Taxes	495,000	528,976	33,976
Penalties and Interest	197,500	231,101	33,601
Investment Earnings	10,000	18,562	8,562
Payments in Lieu of Taxes	573,599	601,026	27,427
Clerk Fees	177,250	178,741	1,491
VLCT Stipend	1,500	900	(600)
Treasurer Fees	149,050	159,209	10,159
Building and Zoning Fees	24,225	22,751	(1,474)
Government Building Lease Revenue	39,400	57,928	18,528
Police Department Fees and Fines	159,100	150,593	(8,507)
Drug Forfeiture Income	0	14,615	14,615
Special Investigations Unit Grant Income	40,000	0	(40,000)
Fire Department Fees	75,000	46,588	(28,412)
Public Works Fees	342,831	0	(342,831)
State Highway Aid	216,000	229,904	13,904
Public Works Sale of Materials	4,500	8,180	3,680
Giorgetti Arena Charges	115,500	120,723	5,223
Godnick Center Rental Income	5,550	7,041	1,491
White Park Charges	33,500	0	(33,500)
Recreation Programs Fees	238,697	249,908	11,211
Transfers In	1,372,550	1,508,225	135,675
Reappraisal Income	0	58,207	58,207
FEMA Reimbursement	0	265,887	265,887
Community Development Grant Income	0	791,240	791,240
Police Department Grant Income	0	260,520	260,520
Fire Department Grant Income	0	18,356	18,356
Public Works Grant Income	0	216,858	216,858
Recreation Grant Income	0	15,927	15,927
Other Income	0	42,325	42,325
Total Revenues	19,714,902	21,172,148	1,457,246
Expenditures:			
Community Development	180,000	180,000	0
Legislative	27,722	45,996	(18,274)
Clerk	407,147	401,717	5,430
Executive	119,766	123,422	(3,656)
Human Resources	180,340	100,606	79,734
Elections	30,513	25,424	5,089
Treasurer	593,131	634,644	(41,513)
Attorney	175,038	183,962	(8,924)
Assessor	125,235	126,327	(1,092)
Building and Zoning	407,429	399,823	7,606
Government Buildings	395,781	382,349	13,432
Police Department	5,479,673	5,525,514	(45,841)

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures/(Cont'd):			
Fire Department	\$ 3,496,404	\$ 3,397,837	\$ 98,567
Public Works Administration	1,024,922	984,232	40,690
Public Works Vehicle Maintenance	550,261	544,080	6,181
Recreation Administration	522,505	513,168	9,337
Giorgetti Arena	131,901	119,221	12,680
Godnick Center	17,557	13,147	4,410
White Park	35,590	3,344	32,246
Recreation Maintenance	789,611	689,951	99,660
Recreation Programs	238,697	213,124	25,573
Miscellaneous	281,025	181,017	100,008
Streets	2,740,100	2,472,288	267,812
Traffic and Street Lights	342,500	469,760	(127,260)
Stormwater	90,207	30,525	59,682
Rutland Free Library	717,061	717,061	0
County Tax	73,441	83,758	(10,317)
Transfers Out	160,000	225,935	(65,935)
Debt Service	413,969	667,358	(253,389)
Social Agencies	317,376	317,376	0
HMPG Grant Expenditures	0	212,167	(212,167)
Community Development Grant Expenditures	0	1,012,820	(1,012,820)
Police Department Grant Expenditures	0	265,250	(265,250)
Fire Department Grant Expenditures	0	16,633	(16,633)
Public Works Grant Expenditures	0	39,637	(39,637)
Recreation Grant Expenditures	0	15,927	(15,927)
	<u>20,064,902</u>	<u>21,335,400</u>	<u>(1,270,498)</u>
 Total Expenditures			
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(350,000)</u>	(163,252)	\$ <u>186,748</u>
 Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Zamias Impact Fee Fund Income		46,898	
Zamias Impact Fee Fund Expenses		(65,230)	
Zamias Impact Fee Fund Transfer Out		(159,689)	
Special Business Revolving Loan Fund Income		38,701	
Special Business Revolving Loan Fund Expenses		<u>(13,750)</u>	
 Net Change in Fund Balance		(316,322)	
 Fund Balance - July 1, 2016, As Restated/Reclassified		<u>5,353,255</u>	
 Fund Balance - June 30, 2017		<u>\$ 5,036,933</u>	

The reconciling items are due to combining three (3) funds, the Property Escrow Fund, the Zamias Impact Fee Fund and the Special Business Revolving Loan Fund, with the General Fund in order to comply with GASB Statement No. 54.

See Disclaimer in Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2017

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

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

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

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 235,027	\$ 183,596	\$ 38,650
Contributions in Relation to the Actuarially Determined Contributions	<u>235,027</u>	<u>183,596</u>	<u>38,650</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 3,536,539	\$ 2,711,463	\$ 649,758
Contributions as a Percentage of Town's Covered Employee Payroll	6.646%	6.771%	5.948%

Notes to Schedule

Valuation Date: June 30, 2016

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

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PENSION TRUST FUND
 JUNE 30, 2017

	2017	2016	2015	2014
Total Plan Net Pension Liability	\$ 38,061,800	\$ 41,526,991	\$ 36,974,379	\$ 33,248,412
Proportion of the Net Pension Liability	57.71%	54.55%	53.67%	49.77%
Proportionate Share of the Net Pension Liability	\$ 21,965,640	\$ 22,651,034	\$ 19,845,756	\$ 16,548,449
City's Covered Employee Payroll	\$ 5,934,271	\$ 6,530,757	\$ 7,901,130	\$ 7,544,763
City's Proportionate Share of the Net Pension Liability as a Percentage of City's Covered Employee Payroll	370.15%	346.84%	251.18%	219.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.38%	64.44%	67.24%	69.08%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The mortality table was updated from the 2016 430(h) Non-Annuitant and Annuitant tables to the 2017 430(h) Non-Annuitant and Annuitant tables.

Corresponding information for prior years is not available.

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 PENSION TRUST FUND
 JUNE 30, 2017

	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 2,157,351	\$ 2,380,555	\$ 2,310,233	\$ 2,287,734
Interest on the Total Pension Liability	8,695,086	8,448,525	8,062,479	7,736,128
Changes of Benefit Terms	0	(32,869)	(564,080)	0
Difference Between Expected and Actual Experience	(1,431,292)	(1,360,980)	649,784	(752,902)
Changes in Assumptions	187,697	168,757	0	0
Benefit Payments	<u>(6,017,866)</u>	<u>(5,694,223)</u>	<u>(5,116,791)</u>	<u>(4,794,328)</u>
Net Change in Total Pension Liability	3,590,976	3,909,765	5,341,625	4,476,632
Total Pension Liability - Beginning of Period	<u>116,786,067</u>	<u>112,876,302</u>	<u>107,534,678</u>	<u>103,058,045</u>
Total Pension Liability - End of Period	<u>120,377,043</u>	<u>116,786,067</u>	<u>112,876,303</u>	<u>107,534,677</u>
Plan Fiduciary Net Position:				
Member Contributions	1,345,914	1,337,916	1,348,660	1,227,465
Employer Contributions	3,042,364	2,935,514	2,746,100	2,649,918
Net Investment Income	8,685,755	777,946	2,637,688	9,817,109
Benefit Payments	<u>(6,017,866)</u>	<u>(5,694,223)</u>	<u>(5,116,791)</u>	<u>(4,794,328)</u>
Net Change in Fiduciary Net Position	7,056,167	(642,847)	1,615,657	8,900,164
Plan Fiduciary Net Position - Beginning of Period	<u>75,259,076</u>	<u>75,901,923</u>	<u>74,286,266</u>	<u>65,386,102</u>
Plan Fiduciary Net Position - End of Period	<u>82,315,243</u>	<u>75,259,076</u>	<u>75,901,923</u>	<u>74,286,266</u>
Net Pension Liability	<u>\$ 38,061,800</u>	<u>\$ 41,526,991</u>	<u>\$ 36,974,380</u>	<u>\$ 33,248,411</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.38%	64.44%	67.24%	69.08%
Covered Valuation Payroll	\$ 27,934,380	\$ 28,114,946	\$ 29,597,118	\$ 28,733,550
Net Pension Liability as a Percentage of Covered Employee Payroll	136.25%	147.70%	124.93%	156.92%

Notes to ScheduleBenefit Changes: NoneChanges Assumptions: None

GASB No. 67 required supplementary information is not available for years prior to 2014. Data for future years will be added prospectively.

CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
 PENSION TRUST FUND
 JUNE 30, 2017

FY Ending	Actuarially Determination Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as % of Covered Valuation Payroll	Investment Returns
2008	\$ 4,048,303	\$ 1,877,860	\$ 2,170,443	\$ 25,641,832	7.32%	N/A
2009	5,388,980	2,039,388	3,349,592	26,389,650	7.73%	N/A
2010	5,125,675	2,249,457	2,876,218	26,914,829	8.36%	N/A
2011	3,842,585	2,498,651	1,343,934	27,594,551	9.05%	N/A
2012	3,775,872	2,559,636	1,216,236	27,838,575	9.19%	N/A
2013	3,799,091	2,622,349	1,176,742	28,416,600	9.23%	N/A
2014	3,878,478	2,649,918	1,228,560	28,733,550	9.22%	N/A
2015	3,921,797	2,746,100	1,175,697	29,597,118	9.28%	N/A
2016	3,818,682	2,935,514	883,168	28,114,946	10.44%	(.23)%
2017	3,877,752	3,042,364	835,388	27,934,380	10.89%	7.11%

In prior fiscal years, the actuarially determined contribution for the January 1 prior to the beginning of the fiscal year was reported as the actuarially determined contribution for the fiscal year. The alignment was changed with GASB 67/68. The actuarially determined contributions shown are the January 1 contribution during the fiscal year. For example, the 2015 fiscal year actuarially required contributions is the January 1, 2015 funding contribution.

NA - Not Available

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CITY OF RUTLAND, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFITS
 JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2015	\$ 0	A 6,904,774	6,904,774	0.0%	8,789,237	78.56%
6/30/2016	0	6,172,219	6,172,219	0.0%	9,715,192	63.53%

Notes to Schedule

The above schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time in relation to the actuarial accrued liability for benefits.

Plan Changes since last Actuarial Valuation: None

Actuarial Assumptions:

Medical Cost Trend (Annual Rates):

Year	Annual Rate
1	1.06%
2	5.75%
3	5.50%
4	5.40%
5	5.35%
6	5.30%
7	5.25%
8	5.15%
9	5.10%
10	5.05%
11 or more	5.05%

Per-Capita Costs (Annual):

	Annual Costs	
	1-Life	2-Life
Non-HDHP	\$ 11,178	\$ 22,356
HDHP	8,167	14,418
Dental	464	974
Vision	101	218

Initial per capita medical claim costs for current retirees are either a weighted average (by covered lives) of applicable premium rates charged under the Blue Cross/Blue Shield health plans in which retired employees participate or premium rates under the High Deductible Health Plan (HDHP), depending upon the Plan in which the retiree participates. Initial per capita costs for future retirees are based on premium rates under the HDHP.

HRA Utilization: Employer pays 75% of \$2,500 (per covered life - \$2,500/retiree, \$2,500/spouse) deductible through use of Health Reimbursement Accounts (HRA's).

Utilization Rate:

Fire	90%
Police	90%
Public Works	90%

Plan Coverage:

Eligible retirees may continue participating in one of the Plans offered to City active employees until attaining age 65. Employees not covered by one of the three Union agreements are not eligible for health, dental and vision benefits. Current Union contracts provide for employees to share in the cost of benefits as follows:

	Retiree Cost Sharing (% of Premium)			Retiree Cost Sharing % of HDHP Deductible
	Health*	Dental	Vision	
Fire	20%	50%	0%	25%
Police	15%	40%	0%	25%
Public Works	18%	40%	0%	25%

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

Spousal Coverage:

Fire	Spouses eligible for same benefit as retiree thru retiree attainment of age 65
Police	Current retiree spouses and spouses of future retirees who meet eligibility for retirement by 2020 are eligible for same benefit as retiree, thru age 65
Public Works	Current retiree spouses and spouses of future retirees who meet eligibility for retirement by June 30, 2023 are eligible for same benefit as retiree, thru age 65

Life Insurance:

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

Fire	\$ 5,000
Police	7,500
Public Works	2,000
Non-Union (General)	2,000

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

Special Disability Benefits: Fire and Police employees disabled as the result of injury in the line of duty receive continued benefits for the remainder of their life time.

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CITY OF RUTLAND, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

<u>ASSETS</u>	Special Revenue Funds	Capital Projects Funds	Total
Cash	\$ 747,861	\$ 1,157,449	\$ 1,905,310
Restricted Cash	0	2,805,440	2,805,440
Investments	734,485	0	734,485
Receivables	70	38,250	38,320
Due from Other Funds	234	150	384
	<u>1,482,650</u>	<u>4,001,289</u>	<u>5,483,939</u>
Total Assets	<u>\$ 1,482,650</u>	<u>\$ 4,001,289</u>	<u>\$ 5,483,939</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 3,515	\$ 153,633	\$ 157,148
Due to Other Funds	13	379,479	379,492
	<u>3,528</u>	<u>533,112</u>	<u>536,640</u>
Total Liabilities	<u>3,528</u>	<u>533,112</u>	<u>536,640</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Fees	0	38,250	38,250
	<u>0</u>	<u>38,250</u>	<u>38,250</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>38,250</u>	<u>38,250</u>
 <u>FUND BALANCES</u>			
Restricted	1,479,122	2,684,588	4,163,710
Committed	0	107,859	107,859
Assigned	0	637,480	637,480
	<u>1,479,122</u>	<u>3,429,927</u>	<u>4,909,049</u>
Total Fund Balances	<u>1,479,122</u>	<u>3,429,927</u>	<u>4,909,049</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,482,650</u>	<u>\$ 4,001,289</u>	<u>\$ 5,483,939</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total
Revenues:			
Charges for Services	\$ 0	\$ 77,000	\$ 77,000
Permits, Licenses and Fees	38,000	5,390	43,390
Investment Income	11,614	14,500	26,114
Donations	31,720	0	31,720
	<u>81,334</u>	<u>96,890</u>	<u>178,224</u>
Total Revenues			
Expenditures:			
General Government	15,785	0	15,785
Public Safety	0	31,832	31,832
Public Works	0	3,660	3,660
Culture and Recreation	84,750	0	84,750
Capital Outlay:			
Public Safety	0	111,765	111,765
Public Works	0	251,950	251,950
Culture and Recreation	8,917	170,404	179,321
Debt Service:			
Principal	0	78,121	78,121
Interest	0	3,139	3,139
	<u>109,452</u>	<u>650,871</u>	<u>760,323</u>
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	<u>(28,118)</u>	<u>(553,981)</u>	<u>(582,099)</u>
Other Financing Sources:			
Proceeds from Long-term Debt	0	2,584,980	2,584,980
Transfers In	0	225,935	225,935
	<u>0</u>	<u>2,810,915</u>	<u>2,810,915</u>
Total Other Financing Sources			
Net Change in Fund Balances	(28,118)	2,256,934	2,228,816
Fund Balances - July 1, 2016, As Reclassified	<u>1,507,240</u>	<u>1,172,993</u>	<u>2,680,233</u>
Fund Balances - June 30, 2017	<u>\$ 1,479,122</u>	<u>\$ 3,429,927</u>	<u>\$ 4,909,049</u>

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CITY OF RUTLAND, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Records Preservation Fund	Giorgetti Fund	VCDP Loan Fund	Recreation Activities Fund	Total
<u>ASSETS</u>					
Cash	\$ 98,811	\$ 343,236	\$ 148,641	\$ 157,173	\$ 747,861
Investments	0	734,485	0	0	734,485
Receivables	70	0	0	0	70
Due from Other Funds	234	0	0	0	234
Total Assets	<u>\$ 99,115</u>	<u>\$ 1,077,721</u>	<u>\$ 148,641</u>	<u>\$ 157,173</u>	<u>\$ 1,482,650</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 3,515	\$ 3,515
Due to Other Funds	0	0	0	13	13
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,528</u>	<u>3,528</u>
<u>FUND BALANCES</u>					
Restricted	<u>99,115</u>	<u>1,077,721</u>	<u>148,641</u>	<u>153,645</u>	<u>1,479,122</u>
Total Fund Balances	<u>99,115</u>	<u>1,077,721</u>	<u>148,641</u>	<u>153,645</u>	<u>1,479,122</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 99,115</u>	<u>\$ 1,077,721</u>	<u>\$ 148,641</u>	<u>\$ 157,173</u>	<u>\$ 1,482,650</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Records Preservation Fund	Giorgetti Fund	VCDP Loan Fund	Recreation Activities Fund	Total
Revenues:					
Permits, Licenses and Fees	\$ 20,268	\$ 0	\$ 0	\$ 17,732	\$ 38,000
Investment Income	430	11,042	67	75	11,614
Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,720</u>	<u>31,720</u>
Total Revenues	<u>20,698</u>	<u>11,042</u>	<u>67</u>	<u>49,527</u>	<u>81,334</u>
Expenditures:					
General Government	15,785	0	0	0	15,785
Culture and Recreation	0	9,637	0	75,113	84,750
Capital Outlay:					
Culture and Recreation	<u>0</u>	<u>8,917</u>	<u>0</u>	<u>0</u>	<u>8,917</u>
Total Expenditures	<u>15,785</u>	<u>18,554</u>	<u>0</u>	<u>75,113</u>	<u>109,452</u>
Net Change in Fund Balances	4,913	(7,512)	67	(25,586)	(28,118)
Fund Balances - July 1, 2016, As Reclassified	<u>94,202</u>	<u>1,085,233</u>	<u>148,574</u>	<u>179,231</u>	<u>1,507,240</u>
Fund Balances - June 30, 2017	<u>\$ 99,115</u>	<u>\$ 1,077,721</u>	<u>\$ 148,641</u>	<u>\$ 153,645</u>	<u>\$ 1,479,122</u>

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CITY OF RUTLAND, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Equipment Replacement Fund	Fire Equipment Fund	Bridge Fund	White's Park Fund	Field Maintenance Fund	Sidewalk Fund	Total
<u>ASSETS</u>							
Cash	\$ 123,189	\$ 647,184	\$ 314,223	\$ 0	\$ 17,476	\$ 55,377	\$ 1,157,449
Restricted Cash	0	0	296,262	2,509,178	0	0	2,805,440
Receivables	0	38,250	0	0	0	0	38,250
Due from Other Funds	0	0	0	0	150	0	150
Total Assets	<u>\$ 123,189</u>	<u>\$ 685,434</u>	<u>\$ 610,485</u>	<u>\$ 2,509,178</u>	<u>\$ 17,626</u>	<u>\$ 55,377</u>	<u>\$ 4,001,289</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 15,330	\$ 27,330	\$ 354	\$ 110,619	\$ 0	\$ 0	\$ 153,633
Due to Other Funds	0	0	216,871	162,608	0	0	379,479
Total Liabilities	<u>15,330</u>	<u>27,330</u>	<u>217,225</u>	<u>273,227</u>	<u>0</u>	<u>0</u>	<u>533,112</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Fees	0	38,250	0	0	0	0	38,250
Total Deferred Inflows of Resources	<u>0</u>	<u>38,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,250</u>
<u>FUND BALANCES</u>							
Restricted	0	0	393,260	2,235,951	0	55,377	2,684,588
Committed	107,859	0	0	0	0	0	107,859
Assigned	0	619,854	0	0	17,626	0	637,480
Total Fund Balances	<u>107,859</u>	<u>619,854</u>	<u>393,260</u>	<u>2,235,951</u>	<u>17,626</u>	<u>55,377</u>	<u>3,429,927</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 123,189</u>	<u>\$ 685,434</u>	<u>\$ 610,485</u>	<u>\$ 2,509,178</u>	<u>\$ 17,626</u>	<u>\$ 55,377</u>	<u>\$ 4,001,289</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Equipment Replacement Fund	Fire Equipment Fund	Bridge Fund	White's Park Fund	Field Maintenance Fund	Sidewalk Fund	Total
Revenues:							
Charges for Services	\$ 0	\$ 77,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,000
Permits, Licenses and Fees	0	0	0	0	5,390	0	5,390
Investment Income	49	3,320	1,927	9,179	5	20	14,500
Total Revenues	49	80,320	1,927	9,179	5,395	20	96,890
Expenditures:							
Public Safety	21,922	9,910	0	0	0	0	31,832
Public Works	3,388	0	272	0	0	0	3,660
Capital Outlay:							
Public Safety	84,435	27,330	0	0	0	0	111,765
Public Works	21,990	0	229,960	0	0	0	251,950
Culture and Recreation	35,722	0	0	134,682	0	0	170,404
Debt Service:							
Principal	78,121	0	0	0	0	0	78,121
Interest	3,139	0	0	0	0	0	3,139
Total Expenditures	248,717	37,240	230,232	134,682	0	0	650,871
Excess/(Deficiency) of Revenues Over Expenditures	(248,668)	43,080	(228,305)	(125,503)	5,395	20	(553,981)
Other Financing Sources:							
Proceeds from Long-term Debt	84,980	0	0	2,500,000	0	0	2,584,980
Transfers In	120,000	40,000	32,702	0	0	33,233	225,935
Total Other Financing Sources	204,980	40,000	32,702	2,500,000	0	33,233	2,810,915
Net Change in Fund Balances	(43,688)	83,080	(195,603)	2,374,497	5,395	33,253	2,256,934
Fund Balances/(Deficit) - July 1, 2016, As Reclassified	151,547	536,774	588,863	(138,546)	12,231	22,124	1,172,993
Fund Balances - June 30, 2017	<u>\$ 107,859</u>	<u>\$ 619,854</u>	<u>\$ 393,260</u>	<u>\$ 2,235,951</u>	<u>\$ 17,626</u>	<u>\$ 55,377</u>	<u>\$ 3,429,927</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2017

	Emergency Fuel Fund	M. Garofano Memorial Fund	Grace Stoolfire Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash	\$ 16,957	\$ 12,488	\$ 28,353	\$ 57,798
Investments	<u>0</u>	<u>0</u>	<u>338,405</u>	<u>338,405</u>
Total Assets	<u>\$ 16,957</u>	<u>\$ 12,488</u>	<u>\$ 366,758</u>	<u>\$ 396,203</u>
<u>LIABILITIES AND NET POSITION</u>				
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Position:				
Restricted	<u>16,957</u>	<u>12,488</u>	<u>366,758</u>	<u>396,203</u>
Total Net Position	<u>16,957</u>	<u>12,488</u>	<u>366,758</u>	<u>396,203</u>
Total Liabilities and Net Position	<u>\$ 16,957</u>	<u>\$ 12,488</u>	<u>\$ 366,758</u>	<u>\$ 396,203</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Emergency Fuel Fund	M. Garofano Memorial Fund	Grace Stoolfire Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Additions:				
Investment Income	\$ 7	\$ 5	\$ 19,956	\$ 19,968
Donations	<u>800</u>	<u>0</u>	<u>0</u>	<u>800</u>
Total Additions	<u>807</u>	<u>5</u>	<u>19,956</u>	<u>20,768</u>
Deductions:				
Music Programs	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Total Deductions	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Change in Net Position	807	5	14,956	15,768
Net Position - July 1, 2016, As Restated/Reclassified	<u>16,150</u>	<u>12,483</u>	<u>351,802</u>	<u>380,435</u>
Net Position - June 30, 2017	<u><u>\$ 16,957</u></u>	<u><u>\$ 12,488</u></u>	<u><u>\$ 366,758</u></u>	<u><u>\$ 396,203</u></u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF FUND NET POSITION
 PROPRIETARY FUND
 WATER FUND
 JUNE 30, 2017

	Water Fund	Water Capital Fund	Water Vehicle Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 76,398	\$ 1,282,218	\$ 36,941	\$ 1,395,557
Receivables (Net of Allowance for Uncollectibles)	1,387,329	0	0	1,387,329
Due from Other Funds	11,089	0	0	11,089
Prepaid Expenses	46,859	0	0	46,859
Inventory	106,339	0	0	106,339
Total Current Assets	<u>1,628,014</u>	<u>1,282,218</u>	<u>36,941</u>	<u>2,947,173</u>
Noncurrent Assets:				
Capital Assets:				
Land	2,817,569	0	0	2,817,569
Construction in Progress	706,778	0	0	706,778
Vehicles, Machinery and Equipment	2,875,863	0	0	2,875,863
Buildings, Distribution and Collection Systems	17,402,160	0	0	17,402,160
Less: Accumulated Depreciation	<u>(8,299,206)</u>	<u>0</u>	<u>0</u>	<u>(8,299,206)</u>
Total Noncurrent Assets	<u>15,503,164</u>	<u>0</u>	<u>0</u>	<u>15,503,164</u>
Total Assets	<u>17,131,178</u>	<u>1,282,218</u>	<u>36,941</u>	<u>18,450,337</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the City's Participation in VMERS				
	53,773	0	0	53,773
Deferred Outflows of Resources Related to the City's Pension Plan				
	<u>289,065</u>	<u>0</u>	<u>0</u>	<u>289,065</u>
Total Deferred Outflows of Resources	<u>342,838</u>	<u>0</u>	<u>0</u>	<u>342,838</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	489,689	0	0	489,689
Accrued Payroll and Benefits Payable	13,975	0	0	13,975
Unearned Revenue	9,961	0	0	9,961
Accrued Interest Payable	27,103	0	0	27,103
General Obligation Bonds Payable - Current Portion	193,114	0	0	193,114
Notes Payable - Current Portion	450,000	0	0	450,000
Capital Leases Payable - Current Portion	<u>30,607</u>	<u>0</u>	<u>0</u>	<u>30,607</u>
Total Current Liabilities	<u>1,214,449</u>	<u>0</u>	<u>0</u>	<u>1,214,449</u>
Noncurrent Liabilities:				
Compensated Absences Payable	118,793	0	0	118,793
Other Postemployment Benefits	490,782	0	0	490,782
Net Pension Liability	1,319,123	0	0	1,319,123
General Obligation Bonds Payable - Noncurrent Portion	1,860,184	0	0	1,860,184
Notes Payable - Noncurrent Portion	<u>900,000</u>	<u>0</u>	<u>0</u>	<u>900,000</u>
Total Noncurrent Liabilities	<u>4,688,882</u>	<u>0</u>	<u>0</u>	<u>4,688,882</u>
Total Liabilities	<u>5,903,331</u>	<u>0</u>	<u>0</u>	<u>5,903,331</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources Related to the City's Pension Plan				
	<u>273,362</u>	<u>0</u>	<u>0</u>	<u>273,362</u>
Total Deferred Inflows of Resources	<u>273,362</u>	<u>0</u>	<u>0</u>	<u>273,362</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	13,419,259	0	0	13,419,259
Unrestricted/(Deficit)	<u>(2,121,936)</u>	<u>1,282,218</u>	<u>36,941</u>	<u>(802,777)</u>
Total Net Position	<u>\$ 11,297,323</u>	<u>\$ 1,282,218</u>	<u>\$ 36,941</u>	<u>\$ 12,616,482</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 WATER FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Water Fund	Water Capital Fund	Water Vehicle Fund	Total
Operating Revenues:				
Charges for Services	\$ 3,354,058	\$ 0	\$ 0	\$ 3,354,058
Penalties and Interest	38,814	0	0	38,814
Other Income	<u>8,163</u>	<u>0</u>	<u>0</u>	<u>8,163</u>
Total Operating Revenues	<u>3,401,035</u>	<u>0</u>	<u>0</u>	<u>3,401,035</u>
Operating Expenses:				
Salaries and Benefits	1,031,886	0	0	1,031,886
Administrative Fees	678,775	0	0	678,775
Utilities	46,532	0	0	46,532
Taxes	60,326	0	0	60,326
Telephone and Internet	9,986	0	0	9,986
Insurances	157,085	0	0	157,085
Dues and Fees	43,727	0	0	43,727
Supplies	92,220	0	0	92,220
Machinery and Equipment	11,777	1,096	0	12,873
Repairs and Maintenance	65,741	0	0	65,741
Professional Services	19,511	0	0	19,511
Chemicals	49,330	0	0	49,330
Depreciation	<u>433,270</u>	<u>0</u>	<u>0</u>	<u>433,270</u>
Total Operating Expenses	<u>2,700,166</u>	<u>1,096</u>	<u>0</u>	<u>2,701,262</u>
Operating Income/(Loss)	<u>700,869</u>	<u>(1,096)</u>	<u>0</u>	<u>699,773</u>
Non-Operating Revenues/(Expenses):				
Insurance Proceeds	10,600	0	0	10,600
Loss on Disposal of Capital Assets	(16,372)	0	0	(16,372)
Investment Income	0	7,789	15	7,804
Interest Expense	<u>(121,230)</u>	<u>0</u>	<u>0</u>	<u>(121,230)</u>
Total Non-Operating Revenues/(Expenses)	<u>(127,002)</u>	<u>7,789</u>	<u>15</u>	<u>(119,198)</u>
Net Income Before Transfers	<u>573,867</u>	<u>6,693</u>	<u>15</u>	<u>580,575</u>
Transfers:				
Transfers In	233,157	320,000	20,000	573,157
Transfers Out	<u>(340,000)</u>	<u>(200,058)</u>	<u>(33,099)</u>	<u>(573,157)</u>
Total Transfers	<u>(106,843)</u>	<u>119,942</u>	<u>(13,099)</u>	<u>0</u>
Change in Net Position	467,024	126,635	(13,084)	580,575
Net Position - July 1, 2016, As Restated/Reclassified	<u>10,830,299</u>	<u>1,155,583</u>	<u>50,025</u>	<u>12,035,907</u>
Net Position - June 30, 2017	<u>\$ 11,297,323</u>	<u>\$ 1,282,218</u>	<u>\$ 36,941</u>	<u>\$ 12,616,482</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF FUND NET POSITION
 PROPRIETARY FUND
 SEWER FUND
 JUNE 30, 2017

	Sewer Fund	Sewer Capital Fund	Sewer Vehicle Fund	CSO Capital Fund	Total
<u>ASSETS</u>					
Current Assets:					
Cash	\$ 500,000	\$ 195,323	\$ 46,650	\$ 360,451	\$ 1,102,424
Receivables (Net of Allowance for Uncollectibles)	1,909,676	0	0	0	1,909,676
Prepaid Expenses	227,877	0	0	0	227,877
Inventory	36,565	0	0	0	36,565
Total Current Assets	<u>2,674,118</u>	<u>195,323</u>	<u>46,650</u>	<u>360,451</u>	<u>3,276,542</u>
Noncurrent Assets:					
Capital Assets:					
Land	49,360	0	0	0	49,360
Construction in Progress	95,012	0	0	0	95,012
Vehicles, Machinery and Equipment	2,931,812	0	0	0	2,931,812
Buildings, Distribution and Collection Systems	33,104,514	0	0	0	33,104,514
Less: Accumulated Depreciation	<u>(13,930,430)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,930,430)</u>
Total Noncurrent Assets	<u>22,250,268</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,250,268</u>
Total Assets	<u>24,924,386</u>	<u>195,323</u>	<u>46,650</u>	<u>360,451</u>	<u>25,526,810</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Outflows of Resources Related to the City's Participation in VMERS					
	23,261	0	0	0	23,261
Deferred Outflows of Resources Related to the City's Pension Plan					
	<u>710,808</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>710,808</u>
Total Deferred Outflows of Resources	<u>734,069</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>734,069</u>
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts Payable	101,413	0	0	22,104	123,517
Accrued Payroll and Benefits Payable	25,157	0	0	0	25,157
Due to Other Funds	32,906	0	0	0	32,906
Unearned Revenue	1,940	0	0	0	1,940
Accrued Interest Payable	11,751	0	0	0	11,751
General Obligation Bonds Payable - Current Portion	468,335	0	0	0	468,335
Notes Payable - Current Portion	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>
Total Current Liabilities	<u>791,502</u>	<u>0</u>	<u>0</u>	<u>22,104</u>	<u>813,606</u>
Noncurrent Liabilities:					
Compensated Absences Payable	228,876	0	0	0	228,876
Other Postemployment Benefits	529,325	0	0	0	529,325
Net Pension Liability	3,121,126	0	0	0	3,121,126
General Obligation Bonds Payable - Noncurrent Portion	7,569,076	0	0	0	7,569,076
Notes Payable - Noncurrent Portion	<u>300,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>300,000</u>
Total Noncurrent Liabilities	<u>11,748,403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,748,403</u>
Total Liabilities	<u>12,539,905</u>	<u>0</u>	<u>0</u>	<u>22,104</u>	<u>12,562,009</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Inflows of Resources Related to the City's Pension Plan					
	<u>672,194</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>672,194</u>
Total Deferred Inflows of Resources	<u>672,194</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>672,194</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets	14,212,857	0	0	0	14,212,857
Unrestricted/(Deficit)	<u>(1,766,501)</u>	<u>195,323</u>	<u>46,650</u>	<u>338,347</u>	<u>(1,186,181)</u>
Total Net Position	<u>\$ 12,446,356</u>	<u>\$ 195,323</u>	<u>\$ 46,650</u>	<u>\$ 338,347</u>	<u>\$ 13,026,676</u>

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CITY OF RUTLAND, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Sewer Fund	Sewer Capital Fund	Sewer Vehicle Fund	CSO Capital Fund	Total
Operating Revenues:					
Charges for Services	\$ 5,099,714	\$ 6,764	\$ 0	\$ 0	\$ 5,106,478
Penalties and Interest	53,581	0	0	0	53,581
Other Income	37,317	0	0	4,891	42,208
Total Operating Revenues	5,190,612	6,764	0	4,891	5,202,267
Operating Expenses:					
Salaries and Benefits	1,807,510	0	0	0	1,807,510
Administrative Fees	678,775	0	0	0	678,775
Utilities	350,094	0	0	0	350,094
Insurances	212,472	0	0	0	212,472
Dues and Fees	13,013	0	0	0	13,013
Telephone and Internet	9,876	0	0	0	9,876
Supplies	106,319	0	0	0	106,319
Machinery and Equipment	43,430	0	0	10,538	53,968
Repairs and Maintenance	208,347	0	0	0	208,347
Professional Services	51,773	0	0	0	51,773
Chemicals	123,401	0	0	0	123,401
Sludge Disposal	499,643	0	0	0	499,643
Depreciation	753,562	0	0	0	753,562
Other	7,973	0	0	0	7,973
Total Operating Expenses	4,866,188	0	0	10,538	4,876,726
Operating Income/(Loss)	324,424	6,764	0	(5,647)	325,541
Non-Operating Revenues/(Expenses):					
Investment Income	0	225	15	391	631
Interest Expense	(63,448)	0	0	0	(63,448)
Total Non-Operating Revenues/(Expenses)	(63,448)	225	15	391	(62,817)
Net Income Before Capital Contributions and Transfers					
Contributions and Transfers	260,976	6,989	15	(5,256)	262,724
Capital Contributions and Transfers:					
Capital Contributions	59,768	0	0	0	59,768
Transfers In	113,667	65,000	20,000	213,819	412,486
Transfers Out	(298,819)	0	0	(113,667)	(412,486)
Total Capital Contributions and Transfers	(125,384)	65,000	20,000	100,152	59,768
Change in Net Position	135,592	71,989	20,015	94,896	322,492
Net Position - July 1, 2016, As Restated/Reclassified	12,310,764	123,334	26,635	243,451	12,704,184
Net Position - June 30, 2017	\$ 12,446,356	\$ 195,323	\$ 46,650	\$ 338,347	\$ 13,026,676

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CITY OF RUTLAND, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Two Rivers-Ottawaquechee Regional Commission				
Hurricane Sandy Community Development Block Grant	14.269	02140-34207	\$ 0	\$ 52,233
Passed through State of Vermont Agency of Commerce and Community Development				
Community Development Block Grant	14.228	07110-IG-2013-009	401,543	401,543
Community Development Block Grant	14.228	07110-IG-2015-00025	<u>300,000</u>	<u>300,000</u>
Total U.S. Department of Housing and Urban Development			<u>701,543</u>	<u>753,776</u>
<u>U.S. Department of Justice</u>				
Direct				
Bulletproof Vest Partnership Program	16.607	BVP 2015	0	2,272
Bulletproof Vest Partnership Program	16.607	BVP 2016	0	948
Edward Byrne Memorial Justice Assistance Grants Program	16.738	2013-DJ-BX-0656	0	10,115
Edward Byrne Memorial Justice Assistance Grants Program	16.738	2014-DJ-BX-0865	0	15,215
Edward Byrne Memorial Justice Assistance Grants Program	16.738	2015-DJ-BX-0388	0	15,086
Edward Byrne Memorial Justice Assistance Grants Program	16.738	2016-DJ-BX-0895	0	15,894
Equitable Sharing Program	16.922	VT0110200	0	3,196
Passed through State of Vermont Center for Crime Victim Services				
STOP Violence Against Women Formula Grant Program	16.575	02160STOP-16-40495	<u>0</u>	<u>27,764</u>
Total U.S. Department of Justice			<u>0</u>	<u>90,490</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction	20.205	CA0297/STP3000(20)	0	9,401
Highway Planning and Construction	20.205	08216-CA0335	0	9,063
Highway Planning and Construction	20.205	STP BP14(11)-CA419	0	24,208
Highway Planning and Construction	20.205	TAP TA15(5)-CA0431	0	19,352
State and Community Highway Safety	20.600	GR0833	0	1,264
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	GR0795	0	2,158

See Accompanying Independent Auditor's Report.

CITY OF RUTLAND, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
Passed through Rutland County Sheriff's Department				
State and Community Highway Safety	20.600	GR1053	\$ 0	\$ 10,101
Minimum Penalties for Repeat Offenders DUI	20.608	GR1053	0	11,531
State and Community Highway Safety	20.600	GR1053	0	6,000
Total U.S. Department of Transportation			0	93,078
<u>U.S. Environmental Protection Agency</u>				
Passed through State of Vermont Department of Environmental Conservation				
Clean Water State Revolving Funds	66.458	RF1-166	0	43
Clean Water State Revolving Funds	66.458	RF1-193	0	96,438
Drinking Water State Revolving Funds	66.468	RF3-341	0	25,335
Drinking Water State Revolving Funds	66.468	RF3-340-2	0	38,816
Total U.S. Environmental Protection Agency			0	160,632
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Hazard Mitigation Grant Program	97.039	02140-34000-117	0	59,768
Hazard Mitigation Grant Program	97.039	02140-34043-001	0	91,849
Hazard Mitigation Grant Program	97.039	02140-34207-002	0	65,199
State Homeland Security Grant Program	97.067	01240-74164V-335	0	166,400
Total U.S. Department of Homeland Security			0	383,216
Total			\$ 701,543	\$ 1,481,192

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Rutland, Vermont under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Rutland, Vermont it is not intended to and does not present the financial position, changes in net assets or cash flows.

Note B - Summary of Significant Accounting Policies

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

See Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Rutland, Vermont as of and for the year ended June 30, 2017 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 19, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Rutland, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2017-01 through 2017-07 to be material weaknesses.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the City of Rutland, Vermont in a separate letter dated March 19, 2018.

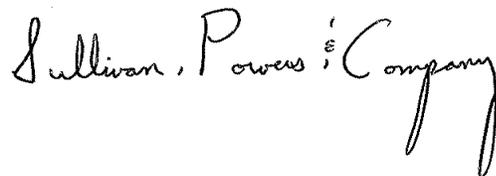
City of Rutland, Vermont's Response to Deficiencies in Internal Control

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

Purpose of this Report

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

March 19, 2018
Montpelier, Vermont
VT Lic. #92-000180



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

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

Report on Compliance for Each Major Federal Program

We have audited City of Rutland, Vermont compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Compliance Supplement" that could have a direct and material effect on the City of Rutland, Vermont's major federal program for the year ended June 30, 2017. The City of Rutland, Vermont's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Rutland, Vermont complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

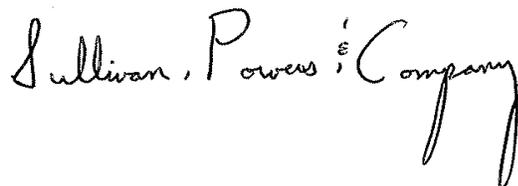
The management of the City of Rutland, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the City of Rutland, Vermont's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

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

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

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

March 19, 2018
Montpelier, Vermont
VT Lic. #92-000180



CITY OF RUTLAND VERMONT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

There were no prior year findings.

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2017

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:
Unmodified.

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

Noncompliance material to financial statements:
None noted.

Federal Awards

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

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

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Federal Agency</u>
14.228	Community Development Block Grant	U.S. Department of Housing and Urban Development

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

The auditee did not qualify as a low risk auditee.

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2017

Financial Statements

Deficiencies in Internal Control:

Material Weaknesses:

2017-01 Capitalization of State Administered Capital Projects

Criteria:

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

Condition:

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

Cause:

Unknown

Effect:

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

Recommendation:

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

Management's Response:

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

2017-02 Unbilled Water and Sewer Receivables

Criteria:

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

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2017

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

Management's Response:

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

2017-03 Other Postemployment Benefits Liability

Criteria:

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

Condition:

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

Cause:

Unknown.

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2017

Effect:

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

Recommendation:

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

Management's Response:

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

2017-04 Loans Receivable

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2017

Management's Response:

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

2017-05 Fund Classifications

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

Management's Response:

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

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2017

2017-06 Receivables

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

Management's Response:

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

2017-07 Net Pension Liability

Criteria:

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

Condition:

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

CITY OF RUTLAND, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2017

Cause:

Unknown.

Effect:

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

Recommendation:

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

Management's Response:

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