

CITY OF RUTLAND, VERMONT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Corrette & Associates, P.C.

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CORRETTE & ASSOCIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Aldermen
City of Rutland
Rutland, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rutland, Vermont, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rutland, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City of Rutland, Vermont has not established procedures to accurately record and report proprietary fund capital grant revenues and expenditures. Controls have not been established to accurately record, report and value long-term receivables. Also, the City has not established procedures to record and monitor the historical cost of capital assets and current capital asset acquisitions.

In our opinion, except for the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rutland, Vermont, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2011 on our consideration of the City of Rutland, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on pages 3 through 12 and pages 51 and 52 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rutland, Vermont's financial statements as a whole. The combining and individual non-major governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Corrette & Associates, P.C.

February 22, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2010

Presented here is the Management Discussion & Analysis Report for the City of Rutland, Vermont for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the City's financial position and the results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an accurate understanding of the City's financial activities have been included.

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

Financial Highlights

- The assets of the City of Rutland exceeded liabilities at June 30, 2010 by \$23,833,295 comprised of investment in capital assets, net related debt, and restricted funds.
- The City's total net assets increased due to recognition of historical capital assets, primarily in proprietary funds, and a reduction in short term liabilities relating to the water treatment roof repairs. This recognition was indicated as a restatement of June 30, 2009 net assets in the Statement of Activities, and is shown as a prior period adjustment.
- The proprietary funds total net assets increased by \$8,379,800 due to recognition of historical capital assets, mainly in Sewage Disposal Fund.
- The City's General Fund fund balance increased by \$787,155. This is due to an excess of revenue over expenditures; this surplus was committed to support the FY 2011 tax rate subsequent to fiscal year end.
- The General Fund fund balance at year end is \$3,830,694 or 23.7% of General Fund revenues, and the undesignated fund balance in the General Fund was \$3,322,523 or 20.5% of General Fund revenues.
- Total unrestricted net assets in the proprietary funds fell to (\$4,103,561) and no proprietary fund reports cash at June 30, 2010.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Net Assets as of June 30 are as follows:

	<u>2010 Total Primary Government</u>	<u>2009 Total Primary Government</u>
Current and Other Assets:	8,709,535	9,090,295
Capital Assets	49,972,512	42,214,486
Other Assets	1,412,493	527,355
Total Assets	<u>\$ 60,094,540</u>	<u>\$ 51,832,136</u>
Current and Other Liabilities:		
Long-term bonds and capital leases payable	16,836,220	16,840,811
Compensated absences payable	3,061,282	3,105,432
Post retirement benefits payable (OPEB)	15,443,844	15,867,813
Other liabilities	909,899	3,001,968
Total Liabilities	<u>\$ 36,251,245</u>	<u>\$ 38,816,024</u>
NetAssets:		
Invested in capital assets, net of related debt	33,136,292	22,873,675
Restricted for specific purposes	1,930,664	985,546
Unrestricted	(11,233,661)	(10,843,109)
Total net assets	<u>\$ 23,833,295</u>	<u>\$ 13,016,112</u>

Statement of Activities

The Statement of Activities reports total operating expenses and change in net assets for the year ending:

	2010 Total Primary Government	2009 Total Primary Government
Program Revenues:		
Charges for services	8,847,188	8,821,508
Capital grants	437,927	-
Operating grants	1,083,969	1,313,435
Total Program Revenues	\$ 10,369,084	\$ 10,134,943
General Revenues:		
Property Tax assessments (Includes PILOT)	13,135,840	13,457,494
Rooms, Meals & Entertainment Tax	441,157	442,649
Judgments & fines	-	192,217
Donations	551,610	-
Interest and investment earnings	183,475	173,094
Sale of fixed assets, stock	400	14,153
Miscellaneous	119,387	188,182
Total general revenues	\$ 14,431,869	\$ 14,467,789
Total revenues	\$ 24,800,953	\$ 24,602,732
General Expenses:		
General government	2,978,044	14,981,022
Public safety	7,696,023	7,437,443
Highways & Streets	2,089,077	2,171,245
DPW Administration	1,111,299	727,369
Economic Development	132,598	481,341
Culture & recreation	2,506,126	2,456,492
Total governmental activities:	\$ 16,513,167	\$ 28,254,912
Business-type activities	6,745,119	8,997,067
Total Primary Governmental activities	\$ 23,258,286	\$ 37,251,979
Change in net assets:		
Net assets-beginning of year (restated)	22,290,628	25,665,359
Net assets-end of year	23,833,295	13,016,112
Change in net assets:	\$ 1,542,667	\$ (12,649,247)

Government-wide Financial Analysis

Net assets increased \$1,542,667 for the year ended June 30, 2010. Net assets for year ended June 30, 2009 were restated due to recognition of previously unrecognized capital assets, primarily in Sewage Disposal Fund, and unrecognized loans due the City from community development housing projects. At the end of the fiscal year, the City of Rutland is able to report positive balances in all categories of net assets, for the government as a whole, as well as its governmental and business-type activities.

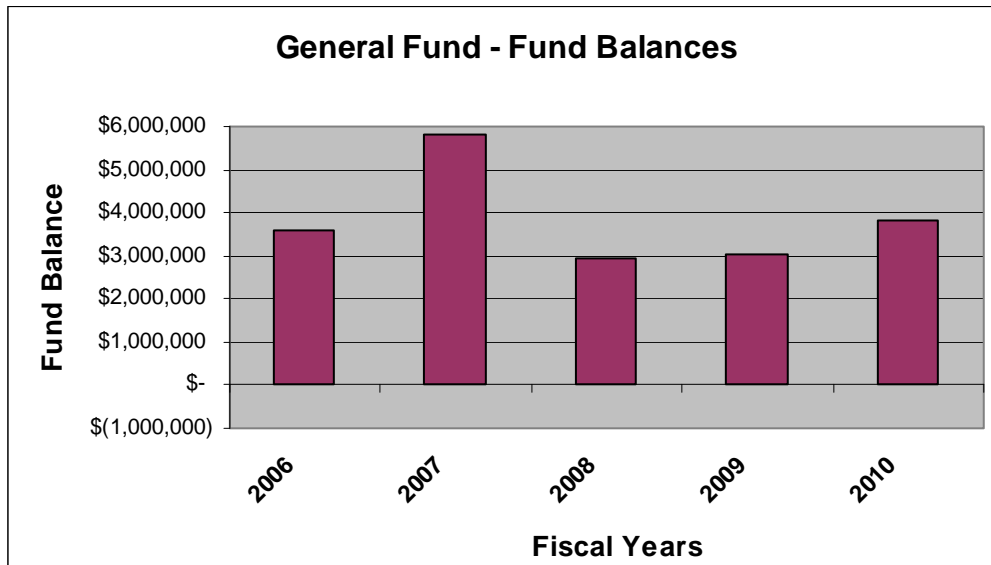
The net assets of the City of Rutland reflects its investment in capital assets (land, buildings and systems, improvements other than buildings, machinery and equipment, and infrastructure); less any related debt outstanding used to acquire those assets. The City of Rutland uses those assets to provide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

Governmental Funds

At June 30, 2010 the City of Rutland's governmental funds reported a combined fund balance of \$6,781,715. The governmental funds are comprised of the General Fund and non-major government funds, such as the Equipment Replacement Fund, Fire Equipment Fund, Zambias Fund and others used for special purposes. The City of Rutland maintains 14 governmental funds. Of these only the General Fund is considered to be a major governmental fund.

General Fund-Fund Balance

The General Fund shows a fund balance of \$3,830,694 as of June 30, 2010. The restated fund balance as of June 30, 2009 is \$3,043,539 after a prior period adjustment of \$8,150 relating to grant activity. Therefore, the General Fund fund balance increased \$787,155.



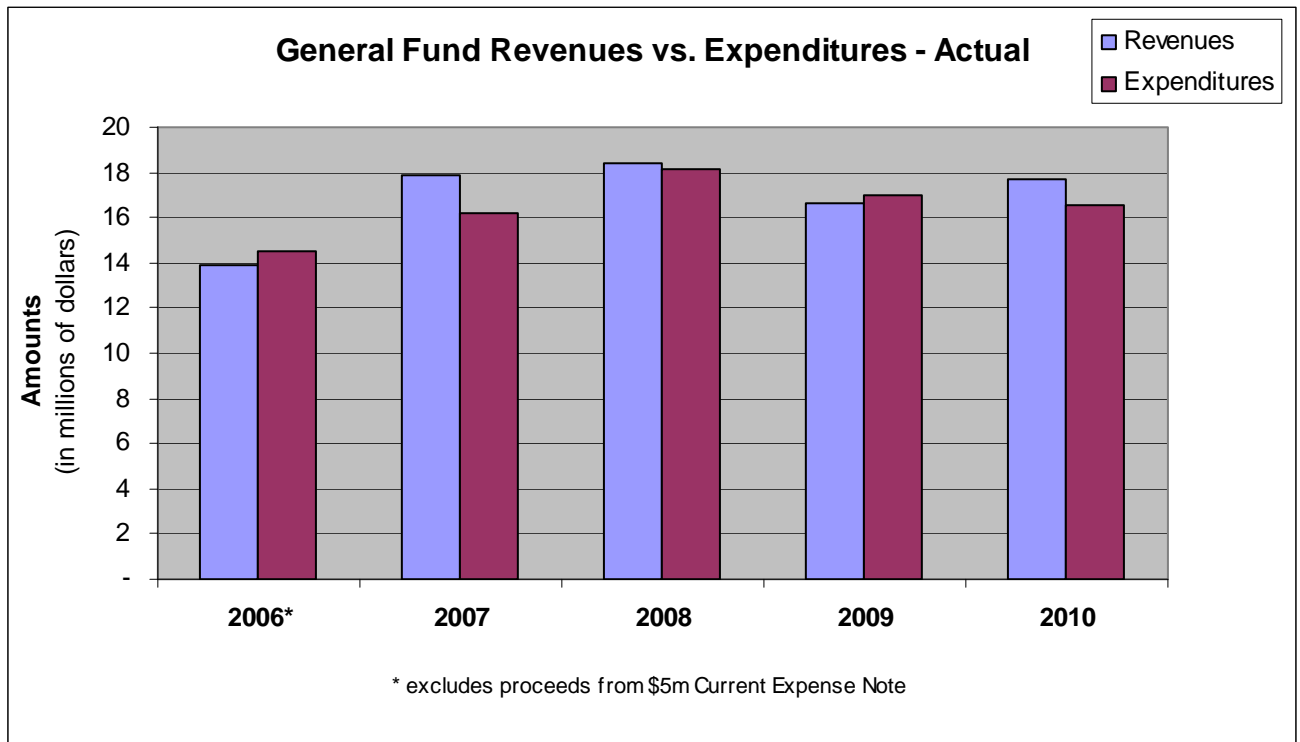
Note: 2006 and 2007 General Fund fund balances were overstated due to unresolved inter-fund activity between the General Fund and the proprietary funds. Prior period adjustments in 2008 corrected this overstatement.

General Fund Budget vs. Actual

Final actual revenues exceeded budgeted revenues by \$768,986 before transfers. All sources of revenue, including grant revenues, were higher than expected, except for taxes, PILOT and miscellaneous. General tax revenues were lower than expected due to delinquencies at yearend, errors and omissions and other adjustments affecting the grand list. Increases in grant revenue were consumed by increased expenditures in grant programs. As a result of delinquent payments collected, penalties and interest revenue exceeded budget by 14%. Fines and forfeitures exceeded budget by 19% due to increased traffic ticket revenue and collector’s fees.

Final actual expenditures were lower than budgeted amounts by \$249,459. Certain City departments posted significantly lower expenses than budgeted, including City Clerk, Treasurer, Attorney, Fire, Winter Maintenance, Recreation, DPW Administration, Government buildings and Vehicle Maintenance. Mild winter weather, reductions in insurance costs, careful budgetary control—including overtime and other salary-related expenditures—contributed to savings. Some departments exceeded budget including: Executive, Police, Street lighting, Godnick Center, and Community Development due to grant expenditures, which were offset by grant revenues. Increases in legislative expenses relate to tax abatement; management chooses to present abatements as an expense to avoid complications in reconciliation of the City’s grand list due to complexities imposed by the statewide property tax system.

The General Fund shows an excess of revenue over expenditures of \$1,018,445, compared to budget. After the application of transfers the net change to fund balance was \$787,155.



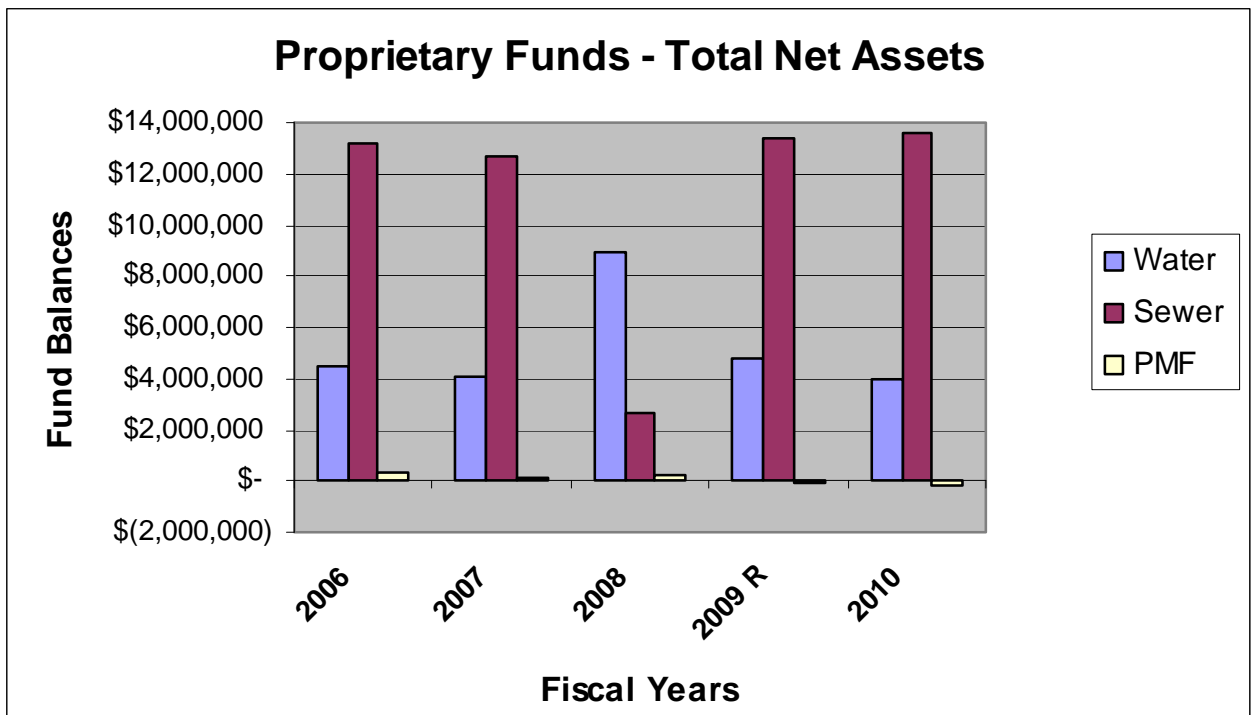
Proprietary Funds

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

Overall the proprietary funds experienced a reduction in net assets of \$624,149 after the restatement of the capital assets for the prior fiscal year, which primarily increased capital assets in Sewage Disposal Fund. This restatement is illustrated as a prior period adjustment. As a result of the restatement and performance by yearend Water Fund experienced a reduction of \$775,471, the Sewage Disposal Fund experienced an increase of \$245,245 and Parking Meter Fund experienced reduction of \$93,923 in net assets, respectively. Unrestricted net assets are negative and declined for all the proprietary funds indicating that assets of the proprietary funds are represented by capital assets and the funds have no working capital.

The City sets water and sewer rates in conjunction with the approval of the budgets for the Water Fund and the Sewage Disposal Fund. Parking rates and fines are established by City ordinances.

The City presented a statement of cash flows for the proprietary funds at yearend which demonstrate that total cash at June 30, 2010 decreased by \$567,461 for all funds combined. Accounts receivable increased by \$658,381 at yearend indicating challenges in collection based on economic factors. The City utilizes a pooled cash account for the General Fund and the proprietary funds. The City reports cash balances of the proprietary funds in the pooled cash account to management monthly.



Note: 2009 Net assets are restated due to recognition of capital assets previously understated. Prior period adjustments in 2010 corrected this understatement.

Capital Assets

The City considers a capital asset to be an asset whose costs exceed \$5,000 and has a useful life of greater than five years. Assets are depreciated using the straight-line method over the course of their useful life. Additions to capital assets were made in FY 2010, totaling \$836,951 in Governmental activities and \$774,104 in Business-type (proprietary funds) activities. Accumulated depreciation in both areas exceeded additions. A restatement of capital assets as a prior period adjustment increased capital assets by \$11,249,512.

Long-Term Obligations

During at June 30, 2010 the City had a reduction in bonds payable of \$4,490. Capital leases showed a decrease of \$65,566 and no new leases were executed.

As of January 1, 2010 the City pension was 69% funded. Despite market gains, the deficiency of assets over unfunded actuarial accrued liability increased to \$23,750,472. The Board of Education (Rutland Public Schools) liability is \$12,758,660 and the City (municipal government, not schools) liability is \$10,991,809.

The OPEB unfunded actuarial accrued liability at June 30, 2010 was \$15,443,844 for City employees and retirees only, a reduction of \$433,969 due primarily to increases in employee healthcare contributions for some groups.

Economic Factors, Rates and 2010 Budget

The soft economic climate continued to affect revenues for most municipalities in the region, state and the nation. This had impacts on revenues and also on collections. The unemployment rate for the Rutland region was 10.1% in June 2009 and moderated to 7.6% by June 2010, according to the Vermont Department of Labor. The median year-round home price in Rutland County was \$154,000 in 2009, reflecting somewhat lower household incomes in the region compared to other areas, except northeastern Vermont.

Regional job losses had a greater impact on the ability of taxpayers and ratepayers to keep payments current in 2010 compared to 2009. This led to increased collection efforts to intervene before delinquencies became serious. These tactics included payment agreements, water/sewer shut offs, and tax sales for parcels that were seriously delinquent and for whom a payment arrangement was not feasible. Through these collection efforts the City was able to bring many accounts current, including payment by lenders on behalf of taxpayers and ratepayers to cure delinquencies.

The overall delinquent tax amount (all years) as a percentage of annual tax revenue, at August 31:

	Delinquent Taxes	Expected tax revenue	% expected tax revenue
FY 2010	\$641,933	\$26,620,985	2.41%
FY 2009	\$548,130	\$26,266,496	2.09%
FY 2008	\$504,434	\$25,599,040	2.05%

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

	Grand List, BOY	Grand List EOY	Impact on expected tax revenue
FY 2010	10,059,181.37	10,050,799.57	(\$44,652)
FY 2009	10,031,847.71	10,014,686.95	(\$65,198)
FY 2008	10,042,451.88	10,006,583.24	(\$67,700)

Tax rates for FY 2010 increased for education and decreased for municipal appropriations. The homestead education tax rate increased from \$1.2458 in FY 2009 to \$1.2608, an increase of 1.2%. The municipal rate decreased from \$1.2811 to \$1.2610, a decrease of 1.6%. The decreases to the municipal budget related to reductions in staffing, lower insurance costs, and the application of prior year surplus of \$120,000, toward the FY 2010 revenue budget

Other financial notes of interest:

- During FY 2010 the City agreed to a settlement relating to the water treatment plant roof failure, in an amount of \$3.8 million, which was received in October 2010. Project costs to date, as of June 30, 2010, totaled \$8,988,655 including re-construction, short term interest and litigation expenses. Of this amount \$5,700,000 was financed with long term funding, and remainder with short term funding through bank notes and the general fund, in anticipation of the settlement.
- The City exceeded its operating budgetary goals in both revenue and expenditures yielding a significant surplus. The City chose to apply \$900,000 of the surplus toward the FY 2011 revenue budget to reduce the tax rate.

Comparative Analysis:

Application of the OPEB liability dramatically reduced total net assets and unrestricted net assets as reported for the primary government for the prior year ended June 30, 2009, but the restatement of capital assets and notes receivable increased net assets for the year ended June 30, 2010. OPEB recognition significantly changes the availability of unrestricted assets for the City’s use.

A cash flow statement is presented for the proprietary funds, providing a full set of financial statements and achieving compliance with GAAP.

In general, the year ended June 30, 2010 will be more comparable to the prior fiscal year, than previous years, due to several factors: full compliance with applicable GASB statements, compliance with GAAP regarding complete statement presentation, the cumulative impact of necessary prior period adjustments and restatements, and better classification of activity that took place in FY 2009 and 2010.

Contacting City's Financial Management

This financial report is to provide our citizens and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the City Treasurer, Wendy Wilton, at the Treasurer's Office, 802-773-1800 x231 or on the web at www.rutlandcity.com

FINANCIAL STATEMENTS

CITY OF RUTLAND, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rutland Redevelopment Authority
ASSETS				
Current Assets				
Cash and equivalents	\$ 2,677,010	\$ -	\$ 2,677,010	\$ 73,404
Investments	1,381,746	-	1,381,746	-
Receivables	1,318,031	2,759,375	4,077,406	80,055
Due from Component Unit	86,670	-	86,670	-
Inventories	32,568	103,859	136,427	-
Internal balances	2,453,690	(2,453,690)	-	-
Prepaid expenses	330,604	19,672	350,276	190
Total current assets	8,280,319	429,216	8,709,535	153,649
Non-current Assets				
Notes & mortgages receivable	1,412,493	-	1,412,493	-
Capital assets not being depreciated				
Land	3,789,016	350,273	4,139,289	-
Capital assets, net of depreciation	9,360,693	36,472,530	45,833,223	-
Total non-current assets	14,562,202	36,822,803	51,385,005	-
Total assets	22,842,521	37,252,019	60,094,540	153,649
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	374,119	368,653	742,772	75,180
Accrued expenses	120,686	4,164,124	4,284,810	519
Due to primary government	-	-	-	86,670
Deferred revenue	167,127	-	167,127	-
Current portion of long-term debt	146,110	2,499,763	2,645,873	-
Total current liabilities	808,042	7,032,540	7,840,582	162,369
Non-current Liabilities				
Long-term liabilities	14,230,316	-	14,230,316	-
Long-term debt	1,418,189	12,772,158	14,190,347	-
Total non-current liabilities	15,648,505	12,772,158	28,420,663	-
Total liabilities	16,456,547	19,804,698	36,261,245	162,369
Net Assets				
Invested in capital assets, net	11,585,410	21,550,882	33,136,292	-
Restricted for:				
Notes & mortgages receivable	1,412,493	-	1,412,493	-
Specific purposes	518,171	-	518,171	-
Unrestricted	(7,130,100)	(4,103,561)	(11,233,661)	(8,720)
Total net assets	\$ 6,385,974	\$ 17,447,321	\$ 23,833,295	\$ (8,720)

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

CITY OF RUTLAND, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets			Component
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Unit	
					Governmental Activities	Business-type Activities	Total	RRA
Governmental activities								
General government	\$ 2,978,044	\$ 434,211	\$ -	\$ -	\$ (2,543,833)	\$ -	\$ (2,543,833)	\$ -
Public safety	7,696,023	389,861	514,855	-	(6,791,307)	-	(6,791,307)	-
Highway & streets	2,089,077	12,457	458,672	-	(1,617,948)	-	(1,617,948)	-
DPW administration	1,111,299	840	-	-	(1,110,459)	-	(1,110,459)	-
Economic development	132,598	116,513	55,300	-	39,215	-	39,215	-
Culture & recreation	2,506,126	656,138	55,142	-	(1,794,846)	-	(1,794,846)	-
Total governmental activities	<u>16,513,167</u>	<u>1,610,020</u>	<u>1,083,969</u>	<u>-</u>	<u>(13,819,178)</u>	<u>-</u>	<u>(13,819,178)</u>	<u>-</u>
Business-type activities								
Water, Sewer, and Parking Meter Activity	6,745,119	7,237,168	-	437,927	-	929,976	929,976	-
Total primary governmental	<u>23,258,286</u>	<u>8,847,188</u>	<u>1,083,969</u>	<u>437,927</u>	<u>(13,819,178)</u>	<u>929,976</u>	<u>(12,889,202)</u>	<u>-</u>
Component Unit								
Rutland Redevelopment Authority	\$ 454,006	\$ -	\$ 75,778	\$ 77,458				<u>(300,770)</u>
General revenues								
Property taxes					13,135,840	-	13,135,840	-
Rooms & meals tax					441,157	-	441,157	-
SBD tax					-	-	-	284,809
Investment earnings					183,475	-	183,475	61
Donations					551,610	-	551,610	-
Sale of fixed assets/stock					400	-	400	-
Miscellaneous					111,271	8,116	119,387	-
Transfers in (out)					1,562,241	(1,562,241)	-	-
Total general revenues & transfers					<u>15,985,994</u>	<u>(1,554,125)</u>	<u>14,431,869</u>	<u>284,870</u>
Change in net assets					<u>2,166,816</u>	<u>(624,149)</u>	<u>1,542,667</u>	<u>(15,900)</u>
Net assets - June 30, 2009, as stated					<u>3,948,591</u>	<u>9,067,521</u>	<u>13,016,112</u>	<u>(969)</u>
Prior period adjustment					<u>270,567</u>	<u>9,003,949</u>	<u>9,274,516</u>	<u>8,149</u>
Net assets - June 30, 2009, restated					<u>4,219,158</u>	<u>18,071,470</u>	<u>22,290,628</u>	<u>7,180</u>
Net assets - June 30, 2010					<u>\$ 6,385,974</u>	<u>\$ 17,447,321</u>	<u>\$ 23,833,295</u>	<u>\$ (8,720)</u>

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

CITY OF RUTLAND, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Non-Major	Total
	Fund	Governmental	Governmental
ASSETS	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$ 1,183,755	\$ 1,493,255	\$ 2,677,010
Investments	-	1,381,746	1,381,746
Receivables	458,582	16,426	475,008
Intergovernmental receivables	86,670	-	86,670
Prepaid expenses	330,604	-	330,604
Inventory	32,568	-	32,568
Due from other funds	2,339,502	143,755	2,483,257
Total assets	<u>4,431,681</u>	<u>3,035,182</u>	<u>7,466,863</u>
LIABILITIES AND FUND			
BALANCES			
Liabilities			
Accounts payable	319,525	54,594	374,119
Accrued expenditures	114,335	-	114,335
Deferred revenue	167,127	-	167,127
Due to other funds	-	29,567	29,567
Total liabilities	<u>600,987</u>	<u>84,161</u>	<u>685,148</u>
Fund Balance			
Unreserved			
Designated for			
specific purposes	508,171	10,000	518,171
Undesignated	3,322,523	2,941,021	6,263,544
Total fund balances	<u>3,830,694</u>	<u>2,951,021</u>	<u>6,781,715</u>
Total liabilities and fund balances	<u>\$ 4,431,681</u>	<u>\$ 3,035,182</u>	<u>\$ 7,466,863</u>

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

CITY OF RUTLAND, VERMONT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Fund Balances - Governmental Funds	<u>\$ 6,781,715</u>
Capital assets in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	50,274,662
Accumulated depreciation has not been included in the governmental fund financial statements.	(37,124,953)
Accrued liabilities represent non-current activity and are not reported in the governmental funds, however, are included in the Statement of Net Assets.	(6,351)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(15,794,615)
Other long-term assets, such as notes and property taxes receivables, are not available to pay for current period expenditures and, therefore, are not included in the funds.	<u>2,255,516</u>
Net Assets of Governmental Activities	<u><u>\$ 6,385,974</u></u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes - general	\$ 12,509,378	\$ -	\$ 12,509,378
Delinquent tax, penalties & interest	148,686	-	148,686
Fines & forfeitures	214,077	-	214,077
Rooms & meals tax	441,157	-	441,157
PILOT	568,822	-	568,822
Licenses & permits	119,461	-	119,461
Federal grants	545,546	59,383	604,929
State grants	556,966	-	556,966
Charges for services	931,839	112,348	1,044,187
Investment earnings	29,362	5,432	34,794
Rental income	65,737	-	65,737
Donations	849	559,239	560,088
Miscellaneous	46,002	400	46,402
Loan repayment	-	7,257	7,257
Total revenues	16,177,882	744,059	16,921,941
Expenditures			
Executive	175,206	-	175,206
Legislative	35,245	-	35,245
City Clerk	316,944	-	316,944
City Treasurer	557,788	-	557,788
City Attorney	166,189	-	166,189
City Assessor	155,327	-	155,327
Building & Zoning	220,907	-	220,907
Libraries	617,917	-	617,917
Police department	4,619,185	-	4,619,185
Fire department	2,662,554	-	2,662,554
Highways	1,170,531	-	1,170,531
Winter maintenance	475,355	-	475,355
Street lighting	378,577	-	378,577
Traffic control	94,997	-	94,997
Catch basins	24,171	-	24,171
Community development	129,018	-	129,018

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

CITY OF RUTLAND, VERMONT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Dana center	505,873	-	505,873
DPW Administration	612,701	-	612,701
Elections	9,572	-	9,572
Government buildings	595,198	-	595,198
Operations	16,838	285,612	302,450
General recreation maintenance	961,828	-	961,828
Giorgetti Park	188,662	-	188,662
Godnick Center	39,718	-	39,718
White Playground	63,995	-	63,995
Vehicle maintenance	398,836	-	398,836
Miscellaneous expense	178,327	-	178,327
Appropriations	276,256	-	276,256
Pension expense	555,000	-	555,000
Debt service	330,632	-	330,632
Loan disbursements	-	70,600	70,600
Total expenditures	<u>16,533,347</u>	<u>356,212</u>	<u>16,889,559</u>
Excess of revenues over (under) expenditures	<u>(355,465)</u>	<u>387,847</u>	<u>32,382</u>
Other financing sources (uses)			
Transfers in	<u>1,142,620</u>	<u>419,621</u>	<u>1,562,241</u>
Total other financing sources (uses)	<u>1,142,620</u>	<u>419,621</u>	<u>1,562,241</u>
Net change in fund balances	<u>787,155</u>	<u>807,468</u>	<u>1,594,623</u>
Fund balances, June 30, 2009, as stated	<u>3,051,689</u>	<u>2,143,553</u>	<u>5,195,242</u>
Prior period adjustment	<u>(8,150)</u>	<u>-</u>	<u>(8,150)</u>
Fund balances, June 30, 2009, restated	<u>3,043,539</u>	<u>2,143,553</u>	<u>5,187,092</u>
Fund balances, ending	<u>\$ 3,830,694</u>	<u>\$ 2,951,021</u>	<u>\$ 6,781,715</u>

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

CITY OF RUTLAND, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds	<u>\$ 1,594,623</u>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is capital outlay costs incurred in the current year.</p>	
	641,473
<p>Depreciation is not recognized as an expense in governmental funds and does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.</p>	
	(957,800)
<p>Some accrued expenses, such as vacation and sick accruals, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
	(69,038)
<p>Revenues and receivables in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.</p>	
	890,558
<p>Principal repayment of debt to governmental funds is reported in the fund financial statements but is removed from the government-wide statement of activities.</p>	
	67,000
Change in Net Assets of Governmental Activities	<u><u>\$ 2,166,816</u></u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Total Enterprise Funds
ASSETS				
Current Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Accounts receivable	896,671	1,671,679	191,025	2,759,375
Prepaid expenses	6,583	12,145	944	19,672
Inventories	59,592	44,267	-	103,859
Total current assets	<u>962,846</u>	<u>1,728,091</u>	<u>191,969</u>	<u>2,882,906</u>
Non-current Assets				
Property and equipment, net of accumulated depr	15,826,815	20,741,334	254,654	36,822,803
Total non-current assets	<u>15,826,815</u>	<u>20,741,334</u>	<u>254,654</u>	<u>36,822,803</u>
Total assets	<u>16,789,661</u>	<u>22,469,425</u>	<u>446,623</u>	<u>39,705,709</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	34,097	329,964	4,592	368,653
Accrued expenses	1,676,675	2,138,911	348,538	4,164,124
Due to other funds	1,858,459	311,451	283,780	2,453,690
Current portion of long-term debt	729,173	1,770,590	-	2,499,763
Total current liabilities	<u>4,298,404</u>	<u>4,550,916</u>	<u>636,910</u>	<u>9,486,230</u>
Non-current Liabilities				
Long-term debt	8,498,388	4,273,770	-	12,772,158
Total liabilities	<u>12,796,792</u>	<u>8,824,686</u>	<u>636,910</u>	<u>22,258,388</u>
Net Assets				
Invested in capital assets, net of related debt	6,599,254	14,696,974	254,654	21,550,882
Unrestricted	(2,606,385)	(1,052,235)	(444,941)	(4,103,561)
Total net assets	<u>\$ 3,992,869</u>	<u>\$ 13,644,739</u>	<u>\$ (190,287)</u>	<u>\$ 17,447,321</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Total Enterprise Funds
Operating revenues				
Charges for services	\$ 2,898,036	\$ 4,137,935	\$ 176,262	\$ 7,212,233
Grant revenue	-	462,862	-	462,862
Miscellaneous income	4,591	3,525	-	8,116
Total operating revenues	<u>2,902,627</u>	<u>4,604,322</u>	<u>176,262</u>	<u>7,683,211</u>
Operating expenses				
Operating, maintenance, & general	2,235,939	2,536,187	162,486	4,934,612
Other Post-Employment Benefits	55,502	102,218	74,960	232,680
Depreciation	411,119	610,279	17,739	1,039,137
Total operating expenses	<u>2,702,560</u>	<u>3,248,684</u>	<u>255,185</u>	<u>6,206,429</u>
Operating income (loss)	<u>200,067</u>	<u>1,355,638</u>	<u>(78,923)</u>	<u>1,476,782</u>
Nonoperating expenses				
Interest expense	<u>(365,541)</u>	<u>(173,149)</u>	-	<u>(538,690)</u>
Total nonoperating expenses	<u>(365,541)</u>	<u>(173,149)</u>	-	<u>(538,690)</u>
Income (loss) before transfers	<u>(165,474)</u>	<u>1,182,489</u>	<u>(78,923)</u>	<u>938,092</u>
Operating transfers out	<u>(609,997)</u>	<u>(937,244)</u>	<u>(15,000)</u>	<u>(1,562,241)</u>
Change in net assets	<u>(775,471)</u>	<u>245,245</u>	<u>(93,923)</u>	<u>(624,149)</u>
Total net assets - June 30, 2009, as stated	<u>7,717,296</u>	<u>1,449,976</u>	<u>(99,751)</u>	<u>9,067,521</u>
Prior period adjustment	<u>(2,948,956)</u>	<u>11,949,518</u>	<u>3,387</u>	<u>9,003,949</u>
Total net assets, June 30, 2009, restated	<u>4,768,340</u>	<u>13,399,494</u>	<u>(96,364)</u>	<u>18,071,470</u>
Total net assets, June 30, 2010	<u>\$ 3,992,869</u>	<u>\$ 13,644,739</u>	<u>\$ (190,287)</u>	<u>\$ 17,447,321</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	Sewage Disposal Fund	Parking Meter Fund	Total
Cash Flows From Operating Activities				
Cash received from customers	\$ 2,786,242	\$ 3,976,298	\$ 170,539	\$ 6,933,079
Cash paid for supplies, services and utilities	(1,611,911)	(1,314,545)	(61,989)	(2,988,445)
Cash paid payroll and related expenses	(594,204)	(1,134,480)	(90,858)	(1,819,542)
Cash paid for rent and operating leases	(30,000)	(8,250)	(4,200)	(42,450)
Cash deposits received from customers	11,100	15,520	-	26,620
Cash paid to customers - refunds and deposit returns	(13,310)	(15,854)	(50)	(29,214)
Cash received from employees - reimbursements	3,459	724	-	4,183
Net cash provided/(used) by operating activities	<u>551,376</u>	<u>1,519,413</u>	<u>13,442</u>	<u>2,084,231</u>
Cash Flows From Non-capital Financing Activities				
Cash received (paid) through interfund transfers	(609,997)	(937,244)	(15,000)	(1,562,241)
Cash proceeds from short-term interfund borrowing	1,805,450	351,850	-	2,157,300
Cash borrowed from pooled cash to fund year-end cash deficit	52,604	33,317	340	86,261
Net cash provided/(used) by non-capital & related financing activities	<u>1,248,057</u>	<u>(552,077)</u>	<u>(14,660)</u>	<u>681,320</u>
Cash Flows From Capital & Related Financing Activities				
Cash proceeds from capital debt	1,046,400	-	-	1,046,400
Cash paid for the acquisition and construction of capital assets	(89,916)	(439,545)	-	(529,461)
Cash paid for principal on capital debt	(3,044,290)	(360,590)	-	(3,404,880)
Cash paid for interest on capital debt	(287,550)	(167,200)	-	(454,750)
Cash paid for capital lease obligations	(10,478)	-	-	(10,478)
Cash proceeds from sale of capital assets	20,147	-	-	20,147
Net cash provided (used) by capital & related financing activities	<u>(2,365,686)</u>	<u>(967,336)</u>	<u>-</u>	<u>(3,333,022)</u>
Cash Flows From Investing Activities				
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	(566,253)	-	(1,218)	(567,471)
Cash at June 30, 2009	<u>566,253</u>	<u>-</u>	<u>1,218</u>	<u>567,471</u>
Cash at June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities				
Operating income	\$ 200,067	\$ 1,355,638	\$ (78,923)	\$ 1,476,782
Adjustments to reconcile operating income to cash flows from operating activities				
Depreciation expense	411,119	610,279	17,739	1,039,137
(Increase) decrease in accounts receivable	(94,723)	(552,142)	(5,971)	(652,836)
(Increase) decrease in inventories	(14,657)	(30,211)	-	(44,868)
(Increase) decrease in prepaids	(6,583)	(12,145)	(944)	(19,672)
Increase (decrease) in accounts payables	17,482	44,044	4,158	65,684
Increase (decrease) in accrued expenses	38,671	103,950	77,383	220,004
Net Adjustments	<u>351,309</u>	<u>163,775</u>	<u>92,365</u>	<u>607,449</u>
Net cash provided (used) by operating activities	<u>\$ 551,376</u>	<u>\$ 1,519,413</u>	<u>\$ 13,442</u>	<u>\$ 2,084,231</u>

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

CITY OF RUTLAND, VERMONT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Agency Funds					
	Employee Pension Plan	Property Escrow Fund	Emergency Fuel Fund	Graphic Arts Fund	Mission Fund	Grace Stoolfire Trusts
ASSETS						
Cash and cash equivalents	\$ 6,538,043	\$ 60,658	\$ 13,290	\$ 21,236	\$ 2,791	\$ 57,940
Investments	41,922,126	-	-	-	-	167,592
Total assets	48,460,169	60,658	13,290	21,236	2,791	225,532
LIABILITIES						
Held for the benefit of others	-	-	-	21,236	2,791	225,532
Fund liabilities	-	36,095	-	-	-	-
	-	36,095	-	21,236	2,791	225,532
NET ASSETS						
Assets held in trust for others	48,460,169	24,563	13,290	-	-	-
	\$ 48,460,169	\$ 24,563	\$ 13,290	\$ -	\$ -	\$ -

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

CITY OF RUTLAND, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Employee Pension Plan	Property Escrow Fund	Emergency Fuel Fund
Additions			
Contributions	\$ 3,301,076	\$ -	\$ -
Investment earnings			
Additions	-	4,518	-
Interest	1,193,756	242	26
Net gain (loss) in fair value of investments	4,120,361	-	-
Donations	-	-	1,875
Gain (loss) on disposition of investments	138,993	-	-
Total investments earnings	<u>5,453,110</u>	<u>4,760</u>	<u>1,901</u>
Total additions	<u>8,754,186</u>	<u>4,760</u>	<u>1,901</u>
Deductions			
Retirement benefits	3,444,582	-	-
Disbursements	-	10,649	675
Total deductions	<u>3,444,582</u>	<u>10,649</u>	<u>675</u>
Changes in net assets	<u>5,309,604</u>	<u>(5,889)</u>	<u>1,226</u>
Net assets, beginning	<u>43,150,565</u>	<u>30,452</u>	<u>12,064</u>
Net assets, ending	<u>\$ 48,460,169</u>	<u>\$ 24,563</u>	<u>\$ 13,290</u>

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

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Reporting Activities

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

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

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

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

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Reporting Activities (continued)

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

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

Rutland Redevelopment Authority

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

The Authority levies a special assessment tax which is collected and administered by the City of Rutland.

C. Government-Wide and Fund Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

revenues are subject to externally imposed restrictions to program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

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

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

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

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

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

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

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

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

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

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

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources (other than permanent funds or major capital projects) that are restricted to expenditures for specified purposes. The City has twelve special revenue funds: the Hospital Fund is for improvements and beautification in the southeast Neighborhood, the Equipment Replacement Fund is used for replacement of police, recreation and DPW equipment, the Field Maintenance Fund is used to maintain recreational fields, the Capital Improvement Fund is used for major capital improvements to the sewer infrastructure with the source of this funding from Alpine Pipeline revenues, the Fire Equipment Fund is used to purchase major equipment for the Fire Department, the Zamias Impact Fund is used to foster economic activity to offset the impact of the Diamond Run Mall, the Recreation Activities Fund is used to support specific recreational activities, the White Fund is used to fund pool facility upgrades at White Park, the Giorgetti Fund is used for development and improvement of Giorgetti Park, the Records Preservation Fund is used to sustain City public records, the CSO Sinking Fund was established to provide future sewer projects funding based on a 2004 resolution of the Board of Alderman, and the Bridge Fund was established in fiscal year 2010 as a special revenue fund for bridge repairs sourced by the unused portion of the Department of Public Works bridge repair budget to pay for major bridge work.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Private-Purpose Trusts: To account for assets held by the City in trustee capacity for individuals, private organizations, and other governments. Private-purpose trust funds are accounted for in the same manner as proprietary funds. The City maintains two private-purpose fiduciary funds: the Property Escrow Fund used to account for tax-sale activity and the Emergency Fuel Fund used to provide fuel assistance to the needy at the Mayor's discretion.

Agency Funds: To account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds do not present results of operations or have a measurement focus. Agency funds use the full accrual basis of accounting. The City maintains three agency funds held for the benefit and at the direction of the Rutland School District. The Graphic Arts Fund is used to support educational programs related to graphic arts, the Mission Fund is used for capital purposes of the Rutland Public Schools and the Grace Stoolfire Fund is used to support music education.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and cash equivalents: Cash balances of the City's General Fund and Proprietary Funds are pooled and used by the City Treasurer for operating activities. The City considers all short-term investments of ninety (90) days or less to be cash equivalents.

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 amounts for the estimated losses incurred in the collection of the receivables. Estimated losses are based on the judgment of management and a review of the current status of existing receivables. Unbilled revenues consist of various revenues earned as of June 30 2010, but not yet billed as of that date.

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

5. Interfund receivables/payables and internal activity: Transactions between funds that are representative of lending/borrowing arrangements and are outstanding at the end of the fiscal year are referred to as interfund receivables/payables. As established by City Ordinance, the City Treasurer is authorized to effect interfund transfers as necessary for operational requirements and subsequently record and report this activity to the Board of Aldermen. The City approved a policy that interfund borrowing will not bear interest.

Interfund due from/due to balances between individual funds of the City are presented in the fund financial statements but are eliminated for the government-wide Statement of Activities. The balance of activity between governmental and business-type activities is presented as internal balances in the government-wide Statement of Activities.

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

The costs of normal maintenance and repairs that do not add to asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

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

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

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

9. Fund equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

F. Other accounting policies

1. Authorized expenditures: The City does not utilize encumbrance accounting for its governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, would be employed as an extension of the formal budgetary integration in the General Fund. In accordance with the City Charter, all encumbrances expire at the fiscal yearend.

2. Operating transfers: Operating transfers are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

F. Other accounting policies (continued)

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

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

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

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

Property taxes attach as an enforceable lien on property when they remain unpaid as of the due date for each installment. Taxes are levied during July of each year and are due and payable for each installment as established by City Charter.

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

During fiscal year 2010, the limit on property taxes to \$.85 per \$100 of assessed valuation for general government services was eliminated effective for FY2011 via charter amendment. The Charter also set limits on other tax levies as outlined in Charter.

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

8. Revenue recognition: The City defines the length of time available for purposes of revenue recognition by fund and revenue type. Property taxes, as outlined above, are recognized if collected within sixty days of yearend. Other revenues in the General Fund, such as Rooms and Meals taxes, fees, fines, rental and grant income are recognized when collected. Program revenue in the Recreation Fund is recognized when earned, as these fees are collected during the spring for services provided during summer months, subsequent to year end.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

F. Other accounting policies (continued)

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental fund and net assets – governmental activities as reported in the government-wide financial statement of net assets. The total adjustment between the fund balance sheet and government-wide statement of net assets is a decrease of \$395,741.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances is reconciled to changes in net assets of governmental activities as reported in the government-wide statement of activities to account for different measurement focuses. The total adjustment between the fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities is an increase of \$572,193.

Note III. Stewardship, compliance, and accountability

A. Budgetary accounting

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary system in accordance with various legal requirements which govern the City's operations. The budgets of the City are proposed by the Mayor and adopted by the Board of Aldermen; beginning with the fiscal year 2011 budget, budget approval will be at voters' discretion. All budget appropriations lapse at yearend.

B. Excess of expenditures over appropriations

For the year ended June 30, 2010 General Fund expenditures exceeded revenues by \$355,465, before transfers in of \$1,142,620. The net increase in the General Fund was \$787,155.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note III. Stewardship, compliance, and accountability (continued)

C. Deficit/surplus fund equity

The Parking Meter Fund has a deficit fund balance of \$190,287 for the year ended June 30, 2010. The City is working to resolve this deficit through forgiveness of interfund receivables and payables between the Parking Meter Fund and General Fund.

The City's three proprietary funds each have surplus net assets; however, of the total \$17,447,321 net assets, \$21,550,882 is invested in capital assets, with an unrestricted deficit total for the three funds of (\$4,103,561). The City has not developed specific plans to resolve these deficits.

Note IV. Detailed notes on all funds

A. Cash, Cash Equivalents, and Investments

At June 30, 2010, the carrying amount of the City's deposits with financial institutions was \$9,371,030, and the total balance reported by these institutions was \$9,763,909. These deposits are held in checking accounts, savings accounts, and money market accounts. Of the funds on deposit, \$663,290 was insured by the Federal Deposit Insurance Corporation (FDIC). \$2,504,637 was collateralized, and the remaining \$6,595,982 was uninsured and uncollateralized.

The \$6,595,982 of uninsured and uncollateralized balance of cash was held in the City's investment account by Prudential Retirement Insurance and Annuity Company (PRIAC) and is reported in the City's Employee Pension Fund. These amounts are guaranteed for principal and accrued interest by the PRIAC.

The City has collateralization agreements with TD Bank, Citizen's Bank and Chittenden Bank to secure deposits above the FDIC limits.

The City has not adopted formal deposit and investment policies.

The Agent for the City's retirement fund is authorized to invest funds to be held in the name of the City's pension fund in savings banks or trust departments in the State of Vermont; in building and loan or cooperative banks incorporated under State of Vermont laws; in federal savings and loan associations located in the State of Vermont; in bonds, notes, or other obligations of the United States government or legal obligations of any state political subdivision; and in stocks and bonds. All trust fund investments are stated at market value.

At June 30, 2010, pension fund investments were valued at \$41,922,126. Market value of trust fund investments, determined by quoted market prices at June 30, 2010, are as follows:

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

A. Cash, Cash Equivalents, and Investments (continued)

U.S corporate Stock	\$21,502,709
International Stock	6,415,289
Corporate Bonds	<u>14,004,128</u>
	<u>\$41,922,126</u>

The City has investments in the Zamias Impact Fund, the Grace Stoolfire Trust Fund and the Giorgetti Fund. Investments for these funds are held to be used for the purposes of each fund. The Zamias Fund and Giorgetti Fund investments are held in certificates of deposit with terms longer than that established by the City for treatment as cash. These funds are fully collateralized by the financial institution where held. The Grace Stoolfire Fund investments are held as equity securities and U. S. government obligations and are stated at fair value as of year end and have not been rated as to credit risk.

GASB Statement No. 40 requires the City's investments to be categorized to give an indication of the level of risk assumed by the City at yearend. Category 1 includes investments that are insured or registered or securities that are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the City's name. At June 30, 2010, the City's investments in the Grace Stoolfire Trusts were in Category 1.

B. Endowment Fund

The Giorgetti Fund includes an amount given to the City for the purposes of improvement and maintenance of Giorgetti Park. The City considers this an endowment and was established by the Giorgetti Trust in 2009 with the first donation. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

1. Interpretation of Relevant Law: The Board of Aldermen of the City has interpreted the Vermont-adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the City classifies as permanently restricted net assets as (a) the original value of gifts donated to the endowment (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remainder of the endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the City

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

B. Endowment Fund (continued)

in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the City considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

2. Funds with Deficiencies: There is no expectation that the fair value of assets associated with donor-restricted endowment will fall below the level that the donor or UPMIFA requires the City to retain. There are no deficiencies of this nature as of June 30, 2010.

3. Return Objectives and Risk Parameters: The City has adopted investment and spending policies for endowment assets that will preserve the principal amounts for uses consistent with the donor's purposes, and provide availability to principal in a timely fashion for utilization. There is no requirement that the funds be held in perpetuity if the funds are spent in accordance with the restrictions. Under this policy the Board of Finance determined to protect the principal by investing in fully collateralized certificates of deposit or money market accounts reported to the Board. While the return objective will be low, based on market rates, the risk of loss will also be low. Actual return as of June 30, 2010 was 1.2% based on a 6 month certificate of deposit. Actual returns will vary each year.

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

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

CITY OF RUTLAND, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

C. Individual Fund Interfund Receivable and Payable Balances

Balances at June 30, 2010 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$2,367,638	\$ 28,136
Recreational Activities Fund	42,485	9,075
Field Maintenance Fund	57,750	-
Records Preservation Fund	26	-
Giorgetti Fund	-	9,567
Capital Improvement Fund	-	20,000
Bridge Fund	52,569	-
Water Fund	-	1,858,459
Sewage Disposal Fund	-	311,451
Parking Meter Fund	-	283,780
	<u>\$2,520,468</u>	<u>\$ 2,520,468</u>

The City uses a pooled cash account to fund a significant portion of general operations and the activities of the City's proprietary funds. As allowed by City Ordinance, the City Treasurer continues to process financial activity through this pooled-cash account using interfund receivable and payables to record and reconcile this activity. The Treasurer is required to provide the detail of this activity to the Board of Aldermen on a regular basis. The material balances between the Proprietary Funds and General Fund represent deficiencies in the development of rates and fees established in the Proprietary Funds which the City has identified and is working to resolve.

D. Allowance for Uncollectible Receivables

Delinquent taxes receivable reported in the government-wide financial statements represent property taxes outstanding at June 30, 2010. The City has the legal right to force sale of the property to collect these taxes; therefore, the City has not established an allowance for uncollectible taxes.

Water and sewer charges and parking ticket receivables represent balances at June 30, 2010. The City has the legal right to force sale of the property to recover the sewer and water fees and a legal right to enforce collection of parking tickets, and; therefore, at June 30, 2010, the City has not established an allowance for uncollectible receivables. Other accounts receivable represent amounts due for grants and notes receivable due to the City. Based on past experience and the existence of formal agreements, the City has not established an allowance for uncollectible receivables.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

E. Capital Assets Activity

Capital asset activity of the City for the year ended June 30, 2010 is as follows:

	Beginning				Ending
Governmental activities:	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjustment</u>	<u>Balance</u>
Land, non-depreciable	\$ 3,789,016	\$ -	\$ -	\$ -	\$3,789,016
General services	2,161,635	1,731	-	(4,000)	2,159,366
Fire Department	3,194,647	36,939	33,000	11,449	3,210,035
Police Department	2,611,455	273,312	78,564	62,506	2,868,709
Department of Public Works	35,419,901	365,537	-	87,819	35,873,257
Recreation	2,008,638	159,432	36,400	-	2,131,670
Library	<u>242,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,609</u>
Total capital assets at cost	<u>49,427,901</u>	<u>836,951</u>	<u>147,964</u>	<u>157,774</u>	<u>50,274,662</u>

Less accumulated depreciation:

Governmental activities:					
General services	654,222	39,750	-	13,210	707,182
Fire Department	2,456,390	138,974	33,000	122,617	2,684,981
Police Department	1,175,036	218,495	78,564	232,937	1,547,904
Department of Public Works	30,089,158	494,598	-	386,527	30,970,283
Recreation	839,197	62,477	9,100	269,154	1,161,728
Library	<u>208,447</u>	<u>3,506</u>	<u>-</u>	<u>(159,078)</u>	<u>52,875</u>
Total accumulated depreciation	35,422,450	957,800	120,664	865,367	37,124,953
Capital assets, net of depreciation	<u>\$ 14,005,451</u>	<u>\$(120,849)</u>	<u>\$ 27,300</u>	<u>\$(707,593)</u>	<u>\$13,149,709</u>

Business-type activities:	Beginning				Ending
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjustment</u>	<u>Balance</u>
Land	\$ 5,393,070	\$ -	\$ -	\$ (5,042,797)	\$ 350,273
Buildings	22,522,104	649,506	2,370,531	26,319,887	47,120,966
Easements	115	-	-	-	115
Machinery & Equipment	5,628,110	57,118	-	(1,895,104)	3,790,124
Meters	1,190,402	67,480	-	(2)	1,257,880
Reservoirs	<u>2,694,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,694,613</u>
Total	<u>37,428,414</u>	<u>774,104</u>	<u>2,370,531</u>	<u>19,381,984</u>	<u>55,213,971</u>
Less accumulated depreciation:	<u>9,219,383</u>	<u>1,039,137</u>	<u>-</u>	<u>8,132,648</u>	<u>18,391,168</u>
Capital assets, net	<u>\$ 28,209,031</u>	<u>\$ (265,033)</u>	<u>2,370,531</u>	<u>\$11,249,336</u>	<u>\$36,822,803</u>

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

E. Capital Assets Activity (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 39,750
Public safety	357,469
Highway & street	494,598
Culture & recreation	<u>65,983</u>
Total	<u>\$957,800</u>

Total business-type depreciation expense for the year ended June 30, 2010 is \$1,039,137. The adjustments column above represents corrections to the reported balances from the prior year. Also, in the prior year, the City classified some portion of public works improvements as land. The City has reclassified these improvements as buildings in the current year to achieve greater clarity in reporting capital assets.

F. Mortgages and Notes Receivable

The City holds a variety of notes receivable. The City has not established collection expectations for each of these notes.

<u>Description</u>	<u>Amount</u>
0% 2001 Columbian Avenue note receivable with a 25-year deferral with the full balance due June 2026.	\$ 280,200
0% 1998 Maples LLP note receivable for \$487,070 between the State of Vermont the Rutland Redevelopment Authority and the City of Rutland with payments made over a 20-year period calculated as a function of net cash flow from the activity with final balance due December 2018.	266,410
2% 2009 Deborah Dubay note receivable with quarterly payments of principal and interest of \$290 with final balloon payment due in August 2019. This loan is sourced from the City's SBD Revolving Loan Fund.	14,135
0% 2008 Elizabeth Pimpare note receivable with semi-annual payments of principal of \$1,500 with final payment due in January 2018. This loan is sourced from the City's SBD Revolving Loan Fund.	24,000
2% 2009 S & E Enterprises, Inc. note receivable with payments deferred two years from date of note with monthly principal and interest payments to begin August 2011 of \$352 with final payment due in August 2019. This loan is sourced from the City's SBD Revolving Loan Fund.	30,000

CITY OF RUTLAND, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

F. Mortgages and Notes Receivable (continued)

2% 2010 Rutland County Court Diversion note receivable with monthly principal and interest payments of \$138 with final payment due in May 2020. This loan is sourced from the City's SBD Revolving Loan Fund.	14,774
2% 2010 John and Jerri Sabatase note receivable with monthly principal and interest payments of \$230 with final payment due in July 2020. This loan is sourced from the City's SBD Revolving Loan Fund.	25,000
0% 2004 Tuttle Block Housing Limited Partnership note receivable with a 30-year deferral with the full balance due August 2034.	600,000
0% 1999 Rutland County Community Land Trust note receivable payable only upon sale of the building or a change in use. The note is forgiven over a term of 27 years with full forgiveness in 2026.	<u>157,974</u>
Total long-term mortgages and notes receivable	<u>\$1,412,493</u>

G. Lease Agreements

Capital leases - Capital assets include purchases by capital lease. Each lease agreement permits the City the option to purchase leased equipment at the end of the lease period at a nominal cost. The future minimum lease payments and net present value of these capital leases are as follows:

	<u>Balance</u>
2011	\$ 40,790
Interest expense	<u>6,842</u>
Total payments and interest	<u>\$ 47,632</u>

Lease income - The City has also entered into numerous lease agreements as the lessor to various organizations from which the City receives rental income.

H. Short-term Debt

During the year ended June 30, 2010, the City fully paid a current expense note of \$2,500,000 with TD Bank, N.A. There is no short-term debt as of June 30, 2010. Short-term debt activity for the year ended June 30, 2010 was as follows:

<u>06/30/10</u>	<u>Proceeds</u>	<u>Payments</u>	<u>06/30/10</u>
<u>\$2,500,000</u>	<u>\$ -0-</u>	<u>\$2,500,000</u>	<u>\$ -0-</u>

CITY OF RUTLAND, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

I. Long-Term Debt

General

General long-term debt payable activity for the year ended June 30, 2010 is as follows:

	<u>07/01/09</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/10</u> <u>Balance</u>
2.83% Capital Improvement Bond – General Obligation with annual principal payments of \$6,110 plus variable interest, payments maturing December 2013.	\$ 30,408	\$ -	\$ 6,109	\$ 24,299
4.97% Capital Improvement Bond – General Obligation - with annual principal payments of \$140,000 plus variable interest, payments maturing December 2020.	1,680,000	-	140,000	1,540,000

Proprietary Funds

Long-term debt of the City's Proprietary Funds is in the form of long-term notes and bonds. The proceeds of such debt have been used for improvement of the City's water and sewer systems. Proprietary Funds notes and bonds payable consist of the following as of June 30, 2010:

	<u>07/01/09</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/10</u> <u>Balance</u>
<u>Sewer Fund</u> 0.00% Overflow Project VMBB bond with variable annual principal payments maturing December 2012.	254,950	-	30,590	224,360
0.00% CSO VMBB construction bond with principal only annual payments of \$160,000 maturing December 2026.	2,880,000	-	-	2,880,000
4.005% CSO Phase 2A VMBB construction bond with principal payments of \$80,000 beginning in December 2008 with variable semi-annual interest payments maturing December 2027.	1,520,000	-	80,000	1,440,000

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

I. Long-Term Debt (continued)

5.82% TD Bank Current Expense Note for sewer portion of repayment of General Fund operating transfers with annual principal payments of \$250,000 plus interest maturing June 2011. 1,750,000 - 250,000 1,500,000

Water Fund

3.75% VMBB Capital Bond with annual principal Payments of \$95,000 plus variable interest semi-annual payments maturing December 2022. 1,330,000 - 95,000 1,235,000

3.75% VMBB Water Roof Repair Bond with annual principal and interest payments of \$312,795, maturing December 2029. 4,653,500 1,046,500 - 5,700,000

2.22% VMBB Capital Improvement Bond with principal and interest payments of \$199,290 through 2010 and principal and interest payments of \$197,757 thereafter maturing in December 2013. 991,851 - 199,290 792,561

5.82% TD Bank Current Expense Note for repayment of General Fund operating transfers with annual principal payments of \$250,000 plus interest maturing June 2011. 1,750,000 - 250,000 1,500,000

Total long-term note obligations \$16,840,709 \$ 1,046,500 \$1,050,989 \$16,836,220

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Current portion	\$ 2,645,873	\$ 440,076	\$ 3,085,949
2012	2,149,840	243,201	2,393,041
2013	1,038,143	220,254	1,258,397
2014	880,847	189,138	1,069,985
2015	683,088	172,434	855,522

CITY OF RUTLAND, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

I. Long-Term Debt (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-2020	3,512,910	602,402	4,115,312
2021-2025	2,944,151	249,560	3,193,711
2026-2030	2,249,256	66,148	2,315,404
2031-2035	<u>732,112</u>	<u>-</u>	<u>732,112</u>
Total	<u>\$16,836,220</u>	<u>\$2,183,213</u>	<u>\$19,019,433</u>

For the year ended June 30, 2010, long-term debt interest expense was \$502,460.

J. Fund Balances Designated for Specific Purposes

At June 30, 2010 the City had designated General Fund fund balance for the following purposes:

<u>Designated for specific purposes:</u>	<u>General Fund</u>
Reappraisal	\$ 212,571
2008 Whistle Repair Donations	438
Drug Forfeiture	79,598
Godnick Center	19,246
Giorgetti Capital	1,256
GIS	12,188
Downtown Homeownership	73
Food Hub	600
Home Depot Activity	58,065
Berwick Study	3,971
Police Impress	15,481
Lister education	1,775
Landfill Closure	1
Community Police	13,433
Route 4 & 7	85,669
Drug Investigations Donations	2,313
LCIF Grant	<u>1,493</u>
Total designated fund balance	<u>\$508,171</u>

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note IV. Detailed notes on all funds (continued)

K. Deferred Revenue

The City has an agreement with the Rutland Area Hockey Association (RAHA) to lease use of the Giorgetti Ice Rink to RAHA for a period of five years. RAHA prepaid the City \$60,000 for this lease. The City recognizes one-fifth of this revenue each year. The City also collects recreational activity member fees in the spring of each year for programs that occur subsequent to the end of the fiscal year. These collections represent deferred revenue to the City until the programs' execution satisfies the City's obligation to its members to provide the summer programs. The total amount of deferred revenue at June 30, 2010 is \$167,127.

L. City/Town Ticket Revenue

Traffic fines collected between 2001 and 2004 by local and State police were incorrectly remitted by the State of Vermont solely to the Town of Rutland. Beginning in fiscal year ended June 30, 2009, the Town is to remit \$40,000 per year to the City, with final payment to be made in FY14. During this fiscal year, the City received \$40,000 from the Town of Rutland.

M. Taxes Collected for Others

Property taxes collected by the City include taxes levied for the Rutland School District, Rutland County, and the Rutland Redevelopment Authority. The City is ultimately responsible for the collection of these taxes which are remitted to the governmental entities as required by law. The amount of taxes collected and remitted to the Rutland School District, Rutland County, and the Rutland Redevelopment Authority during the year ended June 30, 2010 was \$11,861,740, \$80,293 and \$284,809, respectively.

Note V. Other information

A. Commitments and Contingencies

1. Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years. The City must remain a member for a minimum of one year and may withdraw

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note V. Other information (continued)

A. Commitments and Contingencies (continued)

from the Fund after that time by giving sixty days notice. Fund underwriting and rates are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities. The City believes no such deficiency exists at June 30, 2010 and does not anticipate a deficiency in the future. The City maintains self-insurance for unemployment insurance purposes.

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

3. Landfill Closure: During 1990, the City closed a landfill and executed a management plan for post-closure monitoring of the site. The City supports active monitoring of the site through a budgetary line item in the General Fund. The City does not expect expenses to exceed the amount budgeted for this purpose.

4. Long-Term Contracts: The City has several union contracts, which cover periods through June 30, 2010, with the police, fire, and public works department employees. Of these contracts, the police department's union contract expired as of June 30, 2009, the public works department union contract expired June 30, 2010 and the fire department's union contract expires June 30, 2011. The City has entered negotiations with these unions to renew contracts and the City has agreed with employees of both the police and public works departments to operate under the provisions of each of these contracts until new contracts are in place. Further, the City has held pay increases for both departments until new contracts are approved and the City has established a budgetary contingency in subsequent fiscal years for the possibility of pay increases retroactive to the expiration of the former contracts. The City believes this contingency is adequate to fund any liability the City may incur.

5. Improvements to Storm Water System: During the year ended June 30, 2010 the City received approval for improvements to its storm water sewer system funded in part by the American Recovery and Reinvestment Act (ARRA). Receipt of the ARRA funding did not require a local match; however, the City is in receipt of these ARRA, with half of the award amount as a grant and the balance as a bonded loan the City will repay over a twenty-year period beginning in fiscal year 2012. The City anticipates the resulting bond will be half of the amount shown of \$925,000, due to the ARRA grant.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note V. Other information (continued)

B. Defined Benefit Pension Plan

The City participates in a cost-sharing, multi-employer, public employee retirement system. This defined benefit plan covers employee of the City of Rutland and the Rutland School District. The plan requires some employee groups to contribute 2% of annual salary and other groups contribute more as identified in union contracts. The City's contribution rate is determined by the City's actuary. The City's actual contribution is limited by City Charter and shall not exceed .06 cents on the dollar of the grand list. The Retirement Plan is administrated by Prudential Financial. The Retirement Plan does not issue separate financial reports. Assets are held separately and may be used only for the payment of benefits to the members of the Plan. Plan provisions are established or amended by the City's Pension Board. Vesting in employee contributions in the Plan is full and immediate. Vesting in employer contributions is 100% after five years of participation. Benefits are based on the number of years of service and the employee's five highest consecutive calendar years of compensation during the last ten years of employment with the City. The minimum pension is \$1,350 per annum for those employees with at least fifteen years of service. The minimum pension is \$2,025 for those employees with at least twenty one years of service.

Participating City employees contributed \$283,114 to the Plan in the fiscal year ended June 30, 2010. Employer contributions for the City's employees for the year ended June 30, 2010 was \$555,000. Payroll for pension-plan covered employees for the year ended June 30, 2010 was \$7,297,554. The City's total payroll was \$9,142,021.

The following is the required supplementary information for the pension plan. The significant actuarial assumptions used to compute the actuarially determined contribution requirements are as follows:

Valuation Date	January 01, 2010
Actuarial cost method	Pro-rata projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years as of valuation date
Asset Valuation method	20% smoothing of investment returns

Actuarial assumptions

Inflation rate	N/A
Investment return	8.0%
Salary increases	5.0%
Post-employment benefit increases	N/A

CITY OF RUTLAND, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Note V. Other information (continued)

B. Defined Benefit Pension Plan (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess/ Deficiency of Assets over AAL (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Excess/ (Deficiency) as a Percentage of Covered Payroll ((b) – (a))/(c)
01/1/2007	50,695,986	59,831,977	9,135,991	84.73%	24,161,425	37.81%
01/1/2008	53,598,552	66,495,591	12,897,039	80.60%	25,641,832	50.30%
01/1/2009	49,414,401	71,277,825	21,863,424	69.33%	26,389,650	82.85%
01/1/2010	52,555,207	76,305,676	23,750,469	68.87%	26,914,829	88.24%

Schedule of Contributions

Plan Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Actual <u>Contribution</u>	Percentage <u>Contributed</u>
2007	2,899,920	1,690,335	58.29%
2008	3,609,894	1,877,860	52.02%
2009	4,048,303	2,039,388	50.38%
2010	5,388,980	2,249,457	41.74%

Schedule of Annual Pension Cost

	<u>06/30/2010</u>	<u>06/30/2009</u>	<u>06/30/2008</u>	<u>06/30/2007</u>
Annual Required Contribution (ARC)	5,388,980	4,048,303	3,609,894	2,899,920
Interest on NPO	675,414	534,375	410,947	326,194
ARC adjustment	986,351	780,383	600,133	476,362
Annual Pension Cost (APC)	5,078,043	3,802,375	3,420,708	2,749,752
Employer Contributions Made	2,249,457	2,039,388	1,877,860	1,690,335
NPO – Beginning of Year	8,442,674	6,679,687	5,136,839	4,077,424
NPO – End of Year	11,271,260	8,442,674	6,679,687	5,136,839
Percentage of APC Contributed	44.30%	53.63%	54.90%	61.47%

CITY OF RUTLAND, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Note V. Other information (continued)

C. Annual Other Post-Retirement Obligations Cost (OPEB)

The City offers other post-employment benefits to qualified retirees for health, dental, vision and life insurance expenses as agreed to in union contracts and the City has offered early retirement incentive to some employees to manage payroll expenses in the long-term.

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

	<u>06/30/2009</u>	<u>06/30/2010</u>
Annual Required Contribution	\$1,604,215	\$1,528,581
Contributions Made	(411,269)	(352,653)
Adjustments to the Annual Required Contribution	<u>-0-</u>	<u>(59,577)</u>
Net Change in Net OPEB Liability	1,192,946	1,116,351
Net OPEB liability at beginning of fiscal year	<u>-0-</u>	<u>1,192,946</u>
Net OPEB Obligation at end of the fiscal year	<u>\$1,192,946</u>	<u>\$2,309,297</u>

Trend Information - The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the year ended June 30, 2010 were as follows:

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability was \$15,443,844, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,443,844. For the fiscal year ended June 30, 2010, the covered payroll (annual payroll of active employees covered for OPEB purposes) was \$7,297,554 and the ratio of the UAAL to covered payroll is 211.6%. Amounts determined regarding the funded status and annual required contributions of the employer are subject to continued revisions as actual results are compared to historical activity. The schedule of funding progress, which is required supplementary information, presents trend information that will show whether actual values are increasing or decreasing over time.

Actuarial Methods and Assumptions

Actuarial cost method	Projected unit credit cost
Amortization method	Level dollar over 30 years
Actuarial Valuation Date	July 1, 2009
Annual Discount Rate	4.00%

CITY OF RUTLAND, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Note V. Other information (continued)

D. Prior Period Adjustments

The City has not accurately recorded and reported financial assets, liabilities and financial activities in accordance with generally accepted accounting principles.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Unrecorded prior year payables	(8,150)
Water Fund	Overstated historical capital asset costs	(2,948,956)
Sewage Disposal Fund	Understated historical capital asset costs	11,949,518
Parking Meter Fund	Understated historical capital asset costs	3,387

Additionally, the following prior period adjustment affects the government-wide financial statements as they represent long-term assets and liabilities not reported in the fund financial statements.

Long-term receivables not reported in prior periods	1,038,174
Long-term receivables overstated in prior periods	(665,553)
Capital assets incorrectly recorded in prior periods	<u>(102,054)</u>
	<u>\$270,567</u>

E. Related Party Transactions

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

F. Subsequent Events

In July 2010, the City borrowed \$6,000,000 on a current expense note at 3.6% with Merchant's Bank to repay the 2006 deficit refunding note and fund Water Fund obligations to the General Fund. This note is amortized over a ten years with a balloon payment at the end of year five.

During October 2010, the City received a check in the amount of \$3.8 million as a result of litigation related to construction deficiencies of the water plant roof. These funds were used to reduce related debt for these repairs.

In October 2010, the City received an additional \$200,500 from the Giorgetti Trust to support the maintenance and improvement of Giorgetti Park to be added to the City's Giorgetti Endowment.

The City continued improvements to its sewer system, funded by stimulus funds and loan guarantees. Funds spent on this project to yearend and through the end of audit fieldwork are approximately \$849,377.

CITY OF RUTLAND, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note V. Other information (continued)

F. Subsequent Events (continued)

The City is transitioning to a high-deductible health-care plan combined with a flexible spending plan for all its employees during the fiscal year ended June 30, 2011.

The City has established tax rates for fiscal year 2011 that utilize \$900,000 of General Fund undesignated surpluses from prior years.

CITY OF RUTLAND, VERMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes - general	\$ 12,720,296	\$ 12,509,378	\$ (210,918)
Delinquent tax, penalties & interest	130,000	148,686	18,686
Fines & forfeitures	180,000	214,077	34,077
Rooms & meals tax	435,000	441,157	6,157
PILOT	584,817	568,822	(15,995)
Licenses & permits	95,000	119,461	24,461
Federal grants	-	545,546	545,546
State grants	184,000	556,966	372,966
Charges for services	927,805	931,839	4,034
Investment earnings	23,750	29,362	5,612
Rental income	63,878	65,737	1,859
Donations	-	849	849
Miscellaneous	64,350	46,002	(18,348)
Total revenues	15,408,896	16,177,882	768,986
Expenditures			
Executive	104,044	175,206	(71,162)
Legislative	19,776	35,245	(15,469)
City Clerk	330,955	316,944	14,011
City Treasurer	591,307	557,788	33,519
City Attorney	175,888	166,189	9,699
City Assessor	156,928	155,327	1,601
Building & Zoning	228,983	220,907	8,076
Libraries	615,588	617,917	(2,329)
Police department	4,469,326	4,619,185	(149,859)
Fire department	2,866,388	2,662,554	203,834
Highways	1,187,074	1,170,531	16,543
Winter maintenance	605,293	475,355	129,938
Street lighting	275,000	378,577	(103,577)
Traffic control	94,000	94,997	(997)

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

CITY OF RUTLAND, VERMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Catch basins	22,686	24,171	(1,485)
Community development	55,000	129,018	(74,018)
Dana center	543,599	505,873	37,726
DPW Administration	629,410	612,701	16,709
Elections	12,931	9,572	3,359
Government buildings	640,899	595,198	45,701
Operations	19,000	16,838	2,162
General recreation maintenance	1,056,133	961,828	94,305
Giorgetti Park	201,261	188,662	12,599
Godnick Center	16,400	39,718	(23,318)
White Playground	63,585	63,995	(410)
Vehicle maintenance	452,232	398,836	53,396
Miscellaneous expense	284,376	178,327	106,049
Appropriations	276,256	276,256	-
Pension expense	555,000	555,000	-
Debt service	233,488	330,632	(97,144)
Total expenditures	16,782,806	16,533,347	249,459
Excess of revenues over (under) expenditures	(1,373,910)	(355,465)	1,018,445
Other financing sources (uses)			
Transfers in (out)	1,255,589	1,142,620	(112,969)
Total other financing sources (uses)	1,255,589	1,142,620	(112,969)
Net change in fund balance	(118,321)	787,155	905,476
Fund balance, June 30, 2009, as stated	\$ -	3,051,689	\$ -
Prior period adjustment		(8,150)	
Fund balance, June 30, 2009, restated		3,043,539	
Fund balance, June 30, 2010		\$ 3,830,694	

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

CITY OF RUTLAND, VERMONT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds											Permanent Funds		Total Non-Major Govt Funds	
	Hospital Fund	Equipment Replace Fund	Field Maint Fund	Capital Improvement Fund	Fire Equipment Fund	Zamias Impact Fund	Recreation Activities Fund	White Fund	Giorgetti Fund	Records Preserv Fund	CSO Phase 2 Fund	Bridge Fund	Maples Fund		Down-town Special Bus. Dist. Fund
ASSETS															
Cash	\$ 14,527	\$ 116,129	\$ 37,683	\$ 116,127	\$ 520,615	\$ 102,956	\$ 101,112	\$ 18,236	\$ -	\$ 47,250	\$ 405,591	\$ -	\$ 5,522	\$ 7,507	\$ 1,493,255
Investments	-	-	-	-	-	500,000	-	-	881,746	-	-	-	-	-	1,381,746
Intergov'l receivable	-	-	-	-	-	-	14,036	-	-	-	-	-	-	-	14,036
Other receivables	-	-	-	-	-	-	600	-	-	-	-	-	-	1,790	2,390
Due from other funds	-	-	57,750	-	-	-	33,410	-	-	26	-	52,569	-	-	143,755
	<u>14,527</u>	<u>116,129</u>	<u>95,433</u>	<u>116,127</u>	<u>520,615</u>	<u>602,956</u>	<u>149,158</u>	<u>18,236</u>	<u>881,746</u>	<u>47,276</u>	<u>405,591</u>	<u>52,569</u>	<u>5,522</u>	<u>9,297</u>	<u>3,035,182</u>
LIABILITIES AND FUND BALANCES															
Liabilities															
Accounts payable	-	52,730	-	-	-	-	1,864	-	-	-	-	-	-	-	54,594
Due to other funds	-	-	-	20,000	-	-	-	-	9,567	-	-	-	-	-	29,567
Total Liabilities	<u>-</u>	<u>52,730</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>1,864</u>	<u>-</u>	<u>9,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,161</u>
Fund balances															
Unreserved, designated	-	-	-	-	10,000	-	-	-	-	-	-	-	-	-	10,000
Unreserved, undesignated	14,527	63,399	95,433	96,127	510,615	602,956	147,294	18,236	872,179	47,276	405,591	52,569	5,522	9,297	2,941,021
Total fund balances	<u>14,527</u>	<u>63,399</u>	<u>95,433</u>	<u>96,127</u>	<u>520,615</u>	<u>602,956</u>	<u>147,294</u>	<u>18,236</u>	<u>872,179</u>	<u>47,276</u>	<u>405,591</u>	<u>52,569</u>	<u>5,522</u>	<u>9,297</u>	<u>2,951,021</u>
Total liabilities and fund balances	<u>\$ 14,527</u>	<u>\$ 116,129</u>	<u>\$ 95,433</u>	<u>\$ 116,127</u>	<u>\$ 520,615</u>	<u>\$ 602,956</u>	<u>\$ 149,158</u>	<u>\$ 18,236</u>	<u>\$ 881,746</u>	<u>\$ 47,276</u>	<u>\$ 405,591</u>	<u>\$ 52,569</u>	<u>\$ 5,522</u>	<u>\$ 9,297</u>	<u>\$ 3,035,182</u>

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

CITY OF RUTLAND, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds											Permanent Funds		Total Non-Major Govt Funds	
	Hospital Fund	Equipment Replacement Fund	Field Maint Fund	Capital Improvement Fund	Fire Equipment Fund	Zamias Impact Fund	Recreation Activities Fund	White Fund	Giorgetti Fund	Records Preserv Fund	CSO Phase 2 Fund	Bridge Fund	Maples Fund		Down-Town Special Bus. Dist. Fund
Revenues															
Fees and charges for services	\$ -	\$ -	\$ 661	\$ 840	\$ 60,000	\$ -	\$ 36,600	\$ -	\$ -	\$ 14,247	\$ -	\$ -	\$ -	\$ -	\$ 112,348
Grants	-	-	-	-	-	-	59,383	-	-	-	-	-	-	-	59,383
Miscellaneous	-	400	-	-	-	-	-	-	-	-	-	-	-	-	400
Investment earnings	29	145	75	229	1,117	438	143	27	2,379	85	759	-	6	-	5,432
Donations	-	-	10	-	-	-	7,629	1,600	550,000	-	-	-	-	-	559,239
Loan repayments	-	-	2,750	-	-	-	-	-	-	-	-	-	-	4,507	7,257
Total revenues	29	545	3,496	1,069	61,117	438	103,755	1,627	552,379	14,332	759	-	6	4,507	744,059
Expenditures															
Loan disbursements	-	-	-	-	-	-	-	-	-	-	-	-	600	70,000	70,600
Operating expenses	-	157,849	-	19,482	37,289	-	54,860	4,500	9,567	2,045	-	-	20	-	285,612
Total Expenditures	-	157,849	-	19,482	37,289	-	54,860	4,500	9,567	2,045	-	-	620	70,000	356,212
Excess (deficiency) of revenues over (under) expenditures	29	(157,304)	3,496	(18,413)	23,828	438	48,895	(2,873)	542,812	12,287	759	-	(614)	(65,493)	387,847
Transfers in (out) Total other financing sources (uses)	-	120,000	-	-	40,000	(70,000)	40,000	-	(1,255)	-	168,307	52,569	-	70,000	419,621
	-	120,000	-	-	40,000	(70,000)	40,000	-	(1,255)	-	168,307	52,569	-	70,000	419,621
Net change in fund balances	29	(37,304)	3,496	(18,413)	63,828	(69,562)	88,895	(2,873)	541,557	12,287	169,066	52,569	(614)	4,507	807,468
Fund balances, June 30, 2009	14,498	100,703	91,937	114,540	456,787	672,518	58,399	21,109	330,622	34,989	236,525	-	6,136	4,790	2,143,553
Fund balances, ending	\$ 14,527	\$ 63,399	\$ 95,433	\$ 96,127	\$ 520,615	\$ 602,956	\$ 147,294	\$ 18,236	\$ 872,179	\$ 47,276	\$ 405,591	\$ 52,569	\$ 5,522	\$ 9,297	\$ 2,951,021

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