

Federal Compliance Audit

South Burlington School District

June 30, 2016



Proven Expertise and Integrity

SOUTH BURLINGTON SCHOOL DISTRICT

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JUNE 30, 2016

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Proven Expertise and Integrity
INDEPENDENT AUDITORS' REPORT

Board of Directors
South Burlington School District
South Burlington, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the South Burlington School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the South Burlington School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 13 and 66 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Burlington School District's basic financial statements. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2017, on our consideration of the South Burlington School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Burlington School District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
February 9, 2017

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

(UNAUDITED)

The following management's discussion and analysis of South Burlington School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements.

Financial Statement Overview

The South Burlington School District's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension schedules, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of District activities. The types of activities presented for South Burlington School District are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the District’s basic services are reported in governmental activities, which include regular instruction, special education, administration, support services, transportation, operations and maintenance, other support services and program expenditures.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for South Burlington School District include the School Nutrition Fund, School’s Out Program, Munson Field and other nonmajor funds.

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. South Burlington School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of South Burlington School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the basic services provided by the District are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government’s near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the District’s finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the District.

Because the focus of governmental funds is narrower than that of 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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The South Burlington School District presents three columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The District's major governmental funds are the General Fund and Capital Projects Fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the District legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The South Burlington School District maintains four proprietary funds, the School Nutrition Fund, School's Out Program, Munson Field and other nonmajor funds. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside South Burlington School District. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Fiduciary Net Position – Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate

Share of the Net Pension Liability, a Schedule of Contributions, a Schedule of Changes in Net Pension Liability and Related Ratios – District Retirement Income Plan, a Schedule of Contributions – District Retirement Income Plan and a Schedule of Investment Returns – District Retirement Income Plan.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the District's governmental and business-type activities. The District's total governmental net position increased by \$2,053,379 from \$4,837,044 to \$6,890,423. The District's total business-type net position increased by \$105,077 from a deficit of \$9,527 to a balance of \$95,550.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased to a balance of \$125,180 at the end of this year for the governmental activities. The District's unrestricted net position for the business-type activities increased to a balance of \$61,909 at the end of this year.

Table 1
South Burlington School District
Net Position
June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015 (Restated)</u>	<u>2016</u>	<u>2015</u>
Assets:				
Current Assets	\$ 7,200,121	\$ 7,209,058	\$ 101,585	\$ (7,949)
Capital Assets	8,741,706	6,521,431	33,641	30,910
Total Assets	<u>15,941,827</u>	<u>13,730,489</u>	<u>135,226</u>	<u>22,961</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	1,315,643	529,411	-	-
Total Deferred Outflows of Resources	<u>1,315,643</u>	<u>529,411</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	5,576,737	4,996,737	39,676	32,488
Long-term Debt Outstanding	4,616,665	4,254,093	-	-
Total Liabilities	<u>10,193,402</u>	<u>9,250,830</u>	<u>39,676</u>	<u>32,488</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	173,645	172,026	-	-
Total Deferred Inflows of Resources	<u>173,645</u>	<u>172,026</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	6,302,300	3,541,244	33,641	30,910
Restricted: Special Revenue Funds	198,193	313,175	-	-
Capital Projects Fund	264,750	766,333	-	-
Unrestricted (Deficit)	125,180	216,292	61,909	(40,437)
Total Net Position	<u>\$ 6,890,423</u>	<u>\$ 4,837,044</u>	<u>\$ 95,550</u>	<u>\$ (9,527)</u>

Revenues and Expenses

Revenues for the District's governmental activities increased by 3.30%, while total expenses increased by 1.89%. A significant increase in intergovernmental revenues, tuition and state on-behalf payments partially offset by reductions in interest income and other revenue account for most of the change. Likewise, significant increases were incurred in several expense categories, including special education and state on-behalf payments.

The revenues and expenses for the proprietary funds were largely consistent with the previous year. Refer to Statement H for more detail.

Table 2
South Burlington School District
Change in Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues				
Local support from City	\$ 2,716	\$ 9,451	\$ -	\$ -
Intergovernmental revenues	42,916,939	42,158,359	565,392	479,850
Charges for services	122,058	113,354	1,550,193	1,541,211
Tuition	2,465,521	2,096,124	-	-
Interest income	16,546	19,786	-	-
Investment income, net of unrealized gains/(losses)	(84,098)	32,999	-	-
State on-behalf payments	6,035,519	5,367,451	-	-
Other revenue	506,278	525,109	22,468	34,087
Total Revenues	<u>51,981,479</u>	<u>50,322,633</u>	<u>2,138,053</u>	<u>2,055,148</u>
Expenses				
Regular instruction	17,501,135	17,647,444	-	-
Support services	4,236,776	4,027,901	-	-
Transportation	1,550,952	1,410,734	-	-
Administration	3,484,762	3,293,302	-	-
Operations and maintenance	3,425,819	3,401,241	-	-
Interest on debt service	65,488	109,119	-	-
Vocational education	189,345	189,353	-	-
Contingency	27,009	30,020	-	-
Other support services	3,213,369	2,962,916	-	-
Special education	10,140,605	9,236,855	-	-
Program expenditures	119,439	1,380,735	1,970,858	1,937,755
State on-behalf payments	6,035,519	5,367,451	-	-
Unallocated depreciation (Note 4)	-	3,794	-	-
Total Expenses	<u>49,990,218</u>	<u>49,060,865</u>	<u>1,970,858</u>	<u>1,937,755</u>
Transfers	<u>62,118</u>	<u>(19,105)</u>	<u>(62,118)</u>	<u>19,105</u>
Change in Net Position	2,053,379	1,242,663	105,077	136,498
Net Position - July 1, Restated	<u>4,837,044</u>	<u>3,594,381</u>	<u>(9,527)</u>	<u>(146,025)</u>
Net Position - June 30	<u>\$ 6,890,423</u>	<u>\$ 4,837,044</u>	<u>\$ 95,550</u>	<u>\$ (9,527)</u>

Financial Analysis of the District's Fund Statements

Governmental funds: The financial reporting focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
South Burlington School District
Fund Balances - Governmental Funds
June 30,

	2016	2015
Major Funds:		
General Fund:		
Nonspendable	\$ 36,534	\$ 3,052
Committed	1,341,283	791,117
Unassigned	516,901	1,478,027
Total General Fund	1,894,718	2,272,196
Capital Projects Fund:		
Restricted	264,750	766,333
Total Major Funds	\$ 2,159,468	\$ 3,038,529
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 198,193	\$ 313,175
Committed	41,122	25,708
Assigned	3,387	2,877
Unassigned	(11,314)	(29,944)
Total Nonmajor Funds	\$ 231,388	\$ 311,816

The general fund total fund balances decreased by \$377,478 from the prior fiscal year. The capital projects fund decreased by \$501,583 from the prior year and the non-major fund balances decreased by \$80,428 from the prior fiscal year.

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

The proprietary funds had a net position for the current year of \$95,550. This was an increase of \$105,077 from the net position in the prior year.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund in total.

The general fund actual revenues exceeded the budget by \$813,434. This was the result of all revenues being received in excess of budget with the exception of state subsidy and interest income.

The general fund actual expenditures were under budget by \$398,795. All expenditure categories were over budget with the exception of regular education, support services, operations and maintenance, debt service, vocational education and contingency.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the District increased by \$2,223,006. This is the result of capital additions of \$3,297,259 less net disposals of \$222,163 and current year depreciation expense of \$852,090.

Table 4
South Burlington School District
Capital Assets (Net of Depreciation)
June 30,

	<u>2016</u>	<u>2015</u>
Construction in progress	\$ 2,018,198	\$ 262,554
Buildings	1,670,153	1,992,192
Building improvements	2,046,487	1,852,907
Land improvements	155,294	190,637
Furniture, fixtures and equipment	1,765,078	1,208,141
Vehicles	612,827	502,667
Infrastructure	507,310	543,243
Total	<u>\$ 8,775,347</u>	<u>\$ 6,552,341</u>

Debt

At June 30, 2016, the District had \$1,515,000 in bonds outstanding versus \$2,075,000 last year. Other obligations include capital leases payable, accrued vacation and sick time and net pension liability as shown in Note 5 of Notes to Financial Statements.

Currently Known Facts, Decisions, or Conditions

Salaries and benefits account for more than 80% of the District's operating budget and these costs are largely the result of settlements with the three district

employee groups that are represented by labor unions. Contracts for two of these groups, the teachers and support staff, have been settled through June 30, 2017. The contract with Administrators expires on June 30, 2016 and negotiations are now underway. Health insurance premiums will increase by 7.9% in FY 2017 over the FY 2016 level which is a driving force in cost increases. This follows significant increases in the two prior years.

The District operates a Defined Benefit Retirement plan which covers 353 employees or former employees. In this audit report, you will see two additional schedules in the required supplementary information section of the financial statements. In addition, there are expanded footnote disclosures reported as required by GASB 67 and 68. As reported in previous audits, as of September 12, 2013, new employees are no longer eligible for this Defined Benefit Retirement Plan. They are, however, part of a new 403b Defined Contribution Retirement Plan. This plan not only provides a good benefit to employees, but also will lower the overall costs to the district over time.

The State of Vermont has recently enacted legislation that requires all school districts to make available and coordinate pre-kindergarten education programs for its residents, under Act 166. While the district has been doing so for many years, the number of students participating, as well as the cost of these programs, has increased dramatically and the change is reflected in the FY 2017 budget.

The Officials of the Burlington International Airport offered home owners that live in close proximity to the airport the option to buy their homes. This was a voluntary choice and in the summer of 2016, over 94 homes have been purchased and removed. The impact means that we have fewer homes in and around the Chamberlin Elementary School that will result in decreased student enrollment.

Economic Factors and Next Year's Budgets and Rates

In 2016, community members (referred to as the Master Planning and Visioning Group), along with City and School officials, have been meeting together to jointly consider the future of our schools within the City. This group discussed many alternatives, in light of the development of City Center and funding in the form of state approved Tax Increment Financing. Community input was received and options were shared with the South Burlington School Board for their consideration. As a result of this, the school board hired the real estate development firm of White and Burke in October, 2016, to provide additional assistance in looking at the overall cost for each of the identified options. A future community meeting is being planned for March, 2016 to solicit additional feedback on the options with additional information as to costs and educational outcomes being provided and discussed.

The reform of State Education Financing was a top priority at the State Legislature in the FY 2016 session. As a result, the legislature passed Act 46 into law. This established a multi-year process that provides incentives for communities who voluntarily merge into the most common governance models. It defined what a preferred education governance structure should be. The South Burlington School District fits that category so this section of the law does not directly affect our district.

However, it does affect districts around us who send students to us and could affect our enrollment and tuition revenues if changes are made in those districts.

As reported last year, the Governor's plan to have a state-wide, single payer health care plan in place by 2017 has been withdrawn. Health Insurance plans and the costs of premiums are the focus of labor negotiations across the State and will affect our future labor costs. The Vermont Education Health Initiative (VEHI) recently announced that its current health plans will cease to exist as of December 31, 2017. VEHI has announced four new plans to replace those existing ones and all employees will need to change to one of these new plans. This will be subject to collective bargaining for contracts beginning July 1, 2017

Three years ago, the State Legislature passed an expanded School Choice law for high school students across the state. A key provision is that tuition will stay with the sending school, rather than the receiving school. The South Burlington District has had agreements with several local schools to exchange students which will be made of no effect as tuition will no longer be exchanged. The law allows the district whose students are currently enrolled under these conditions to continue to exchange tuition until they graduate. This, revenue will be reduced to zero by FY 2017 for School Choice.

The costs of fuel, both in diesel to operate our buses, and natural gas for heating, have seen dramatic reductions in the past year and are forecast to provide additional savings in the fiscal year to come.

A Capital Reserve Fund is being proposed in the amount of \$300,000 in FY 2017. This is being established to enable the district to save in advance for needed, high-cost repairs to our buildings in future years.

Voters are being asked to allow the district to issue \$2,500,000 in general obligation bonds to finance the construction of certain renovations and capital improvements. The projects address safety concerns on our playing fields, ADA compliance in our high school, needed maintenance, and energy savings.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Business Office at 550 Dorset Street, South Burlington, Vermont, 05403.

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT A

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business- Type Activities	Total Government
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,244,109	\$ 10,000	\$ 6,254,109
Investments	-	-	-
Accounts receivable (net of allowance for uncollectibles)	13,901	119,398	133,299
Due from other governments	868,447	-	868,447
Inventory	-	9,317	9,317
Prepaid expenses	36,534	-	36,534
Internal balances	37,130	(37,130)	-
Total current assets	7,200,121	101,585	7,301,706
Noncurrent assets:			
Capital assets:			
Construction in progress	2,018,198	-	2,018,198
Buildings and equipment, net of accumulated depreciation	6,723,508	33,641	6,757,149
Total noncurrent assets	8,741,706	33,641	8,775,347
TOTAL ASSETS	15,941,827	135,226	16,077,053
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,315,643	-	1,315,643
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,315,643	-	1,315,643
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,257,470	\$ 135,226	\$ 17,392,696
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,128,924	\$ 4,640	\$ 1,133,564
Accrued payroll	3,519,625	35,036	3,554,661
Due to other governments	160,716	-	160,716
Retirement incentive program	38,381	-	38,381
Current portion of long-term obligations	729,091	-	729,091
Total current liabilities	5,576,737	39,676	5,616,413
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	1,255,000	-	1,255,000
Capital leases	486,472	-	486,472
Net pension liability	2,875,193	-	2,875,193
Total noncurrent liabilities	4,616,665	-	4,616,665
TOTAL LIABILITIES	10,193,402	39,676	10,233,078
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	173,645	-	173,645
TOTAL DEFERRED INFLOWS OF RESOURCES	173,645	-	173,645
NET POSITION			
Net investment in capital assets	6,302,300	33,641	6,335,941
Restricted for: Special revenue funds	198,193	-	198,193
Capital projects fund	264,750	-	264,750
Unrestricted (deficit)	125,180	61,909	187,089
TOTAL NET POSITION	6,890,423	95,550	6,985,973
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 17,257,470	\$ 135,226	\$ 17,392,696

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
Regular instruction	\$ 17,501,135	\$ 2,465,521	\$ -	\$ -	\$ (15,035,614)	\$ -	\$ (15,035,614)
Support services	4,236,776	-	-	-	(4,236,776)	-	(4,236,776)
Transportation	1,550,952	49,876	-	-	(1,501,076)	-	(1,501,076)
Administration	3,484,762	-	-	-	(3,484,762)	-	(3,484,762)
Operations and maintenance	3,425,819	72,182	-	-	(3,353,637)	-	(3,353,637)
Vocational education	189,345	-	-	-	(189,345)	-	(189,345)
Contingency	27,009	-	-	-	(27,009)	-	(27,009)
Other support services	3,213,369	-	-	-	(3,213,369)	-	(3,213,369)
Special education	10,140,605	-	-	-	(10,140,605)	-	(10,140,605)
Program expenditures	119,439	-	1,357,858	-	1,238,419	-	1,238,419
Capital Outlay	-	-	-	-	-	-	-
On-behalf payments	6,035,519	-	6,035,519	-	-	-	-
Interest on debt service	65,488	-	-	-	(65,488)	-	(65,488)
Unallocated depreciation (Note 4)*	-	-	-	-	-	-	-
Total governmental activities	49,990,218	2,587,579	7,393,377	-	(40,009,262)	-	(40,009,262)
Business type activities:							
School Nutrition	1,063,144	1,550,193	565,392	-	-	1,052,441	1,052,441
School's Out Program	903,863	-	-	-	-	(903,863)	(903,863)
Munson Field	3,851	-	-	-	-	(3,851)	(3,851)
Total business-type activities	1,970,858	1,550,193	565,392	-	-	144,727	144,727
Total primary government	\$ 51,961,076	\$ 4,137,772	\$ 7,958,769	\$ -	(40,009,262)	144,727	(39,864,535)

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Changes in net position:			
Net (expense) revenue	<u>(40,009,262)</u>	<u>144,727</u>	<u>(39,864,535)</u>
General revenues:			
Local support from towns	2,716	-	2,716
Grants and contributions not restricted to specific programs	41,559,081	-	41,559,081
Other income	438,726	22,468	461,194
Transfers	<u>62,118</u>	<u>(62,118)</u>	<u>-</u>
Total general revenues and transfers	<u>42,062,641</u>	<u>(39,650)</u>	<u>42,022,991</u>
Change in net position	2,053,379	105,077	2,158,456
NET POSITION - JULY 1, RESTATED	<u>4,837,044</u>	<u>(9,527)</u>	<u>4,827,517</u>
NET POSITION - JUNE 30	<u>\$ 6,890,423</u>	<u>\$ 95,550</u>	<u>\$ 6,985,973</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

BALANCE SHEET, GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 6,244,109	\$ -	\$ -	\$ 6,244,109
Investments	-	-	-	-
Accounts receivable (net of allowance for doubtful accounts)	13,901	-	-	13,901
Due from other governments	788,959	-	79,488	868,447
Prepaid items	36,534	-	-	36,534
Due from other funds	423,501	511,071	321,958	1,256,530
TOTAL ASSETS	<u>\$ 7,507,004</u>	<u>\$ 511,071</u>	<u>\$ 401,446</u>	<u>\$ 8,419,521</u>
LIABILITIES				
Accounts payable	\$ 855,935	\$ 246,321	\$ 26,668	\$ 1,128,924
Accrued payroll	3,424,041	-	95,584	3,519,625
Due to other governments	160,716	-	-	160,716
Due to other funds	1,171,594	-	47,806	1,219,400
TOTAL LIABILITIES	<u>5,612,286</u>	<u>246,321</u>	<u>170,058</u>	<u>6,028,665</u>
FUND BALANCES				
Nonspendable	36,534	-	-	36,534
Restricted	-	264,750	198,193	462,943
Committed	1,341,283	-	41,122	1,382,405
Assigned	-	-	3,387	3,387
Unassigned	516,901	-	(11,314)	505,587
TOTAL FUND BALANCES	<u>1,894,718</u>	<u>264,750</u>	<u>231,388</u>	<u>2,390,856</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,507,004</u>	<u>\$ 511,071</u>	<u>\$ 401,446</u>	<u>\$ 8,419,521</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,390,856
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	8,741,706
Accrued liabilities have not been reflected in the governmental fund financial statements:	
Retirement incentive payable	(38,381)
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	1,315,643
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(1,515,000)
Capital leases	(924,406)
Accrued compensated absences	(31,157)
Net pension liability	(2,875,193)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(173,645)</u>
Net position of governmental activities	<u><u>\$ 6,890,423</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT E

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES				
Local support from City	\$ 2,716	\$ -	\$ -	\$ 2,716
Intergovernmental revenues	41,559,081	-	1,357,858	42,916,939
Charges for service	122,058	-	-	122,058
Tuition	2,465,521	-	-	2,465,521
Interest income	16,546	-	-	16,546
Investment income, net of unrealized gains/(losses)	-	(84,098)	-	(84,098)
State on-behalf payments	2,449,325	-	-	2,449,325
Other revenue	297,823	151,271	57,184	506,278
TOTAL REVENUES	46,913,070	67,173	1,415,042	48,395,285
EXPENDITURES				
Current:				
Regular instruction	17,722,752	-	-	17,722,752
Support services	4,200,544	-	-	4,200,544
Transportation	1,420,393	-	-	1,420,393
Administration	3,484,762	-	-	3,484,762
Operations and maintenance	3,375,721	-	-	3,375,721
Vocational education	189,345	-	-	189,345
Contingency	27,009	-	-	27,009
Other support services	3,169,530	-	-	3,169,530
Special education	10,136,693	-	-	10,136,693
Program expenditures	-	-	1,495,470	1,495,470
State on-behalf payments	2,449,325	-	-	2,449,325
Debt service:				
Principal	560,000	-	-	560,000
Interest	65,488	-	-	65,488
Capital outlay	571,125	1,119,860	-	1,690,985
TOTAL EXPENDITURES	47,372,687	1,119,860	1,495,470	49,988,017
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(459,617)	(1,052,687)	(80,428)	(1,592,732)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	571,125	-	-	571,125
Transfers in	30,895	551,104	-	581,999
Transfers (out)	(519,881)	-	-	(519,881)
TOTAL OTHER FINANCING SOURCES (USES)	82,139	551,104	-	633,243
NET CHANGE IN FUND BALANCES	(377,478)	(501,583)	(80,428)	(959,489)
FUND BALANCES - JULY 1	2,272,196	766,333	311,816	3,350,345
FUND BALANCES - JUNE 30	\$ 1,894,718	\$ 264,750	\$ 231,388	\$ 2,390,856

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (959,489)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases	3,289,179
Capital asset disposals	(222,163)
Depreciation expense	<u>(846,741)</u>
	<u>2,220,275</u>
Current year granting of voluntary exit programs (early retirements, etc.) are not reported as expenditures in governmental fund financial statements and are reported as an expense and debt in the government-wide financial statements	
Accrued interest payable	-
Retirement incentive payable	<u>73,165</u>
	<u>73,165</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>786,232</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>1,111,906</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Position.	
	<u>(571,125)</u>
Deferred inflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>(1,619)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	8,211
Net pension liability	<u>(614,177)</u>
	<u>(605,966)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 2,053,379</u></u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

BALANCE SHEET – PROPRIETARY FUNDS

JUNE 30, 2016

	Enterprise Funds				Total
	School Nutrition	School's Out Program	Munson Field	Other Enterprise Funds	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 10,000	\$ -	\$ -	\$ 10,000
Due from other governments	71,709	47,689	-	-	119,398
Inventory	9,317	-	-	-	9,317
Due from other funds	-	253,406	84,034	1,125	338,565
Total current assets	<u>81,026</u>	<u>311,095</u>	<u>84,034</u>	<u>1,125</u>	<u>477,280</u>
Noncurrent assets:					
Machinery and equipment	402,109	-	-	-	402,109
Total capital assets	402,109	-	-	-	402,109
Less: accumulated depreciation	(368,468)	-	-	-	(368,468)
Net capital assets	<u>33,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,641</u>
TOTAL ASSETS	<u>\$ 114,667</u>	<u>\$ 311,095</u>	<u>\$ 84,034</u>	<u>\$ 1,125</u>	<u>\$ 510,921</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 2,219	\$ 2,421	\$ -	\$ -	\$ 4,640
Accrued payroll	1,863	33,173	-	-	35,036
Due to other funds	375,284	-	-	411	375,695
Total current liabilities	<u>379,366</u>	<u>35,594</u>	<u>-</u>	<u>411</u>	<u>415,371</u>
TOTAL LIABILITIES	<u>379,366</u>	<u>35,594</u>	<u>-</u>	<u>411</u>	<u>415,371</u>
NET POSITION					
Net investment in capital assets	33,641	-	-	-	33,641
Unrestricted (deficit)	(298,340)	275,501	84,034	714	61,909
TOTAL NET POSITION	<u>(264,699)</u>	<u>275,501</u>	<u>84,034</u>	<u>714</u>	<u>95,550</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 114,667</u>	<u>\$ 311,095</u>	<u>\$ 84,034</u>	<u>\$ 1,125</u>	<u>\$ 510,921</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				Total
	School Nutrition	School's Out Program	Munson Field	Other Enterprise Funds	
OPERATING REVENUES					
Intergovernmental	\$ 383,776	\$ 181,616	\$ -	\$ -	\$ 565,392
Charges for service	703,932	819,599	26,662	-	1,550,193
Other	22,468	-	-	-	22,468
TOTAL OPERATING REVENUES	1,110,176	1,001,215	26,662	-	2,138,053
OPERATING EXPENSES					
Salaries	416,027	628,103	3,364	-	1,047,494
Benefits/taxes	214,394	152,687	257	-	367,338
Food	400,721	-	-	-	400,721
Equipment repairs/equipment	11	1,107	-	-	1,118
Supplies	21,872	105,044	230	-	127,146
Travel	802	12,600	-	-	13,402
Depreciation	5,349	-	-	-	5,349
Other	3,968	4,322	-	-	8,290
TOTAL OPERATING EXPENSES	1,063,144	903,863	3,851	-	1,970,858
OPERATING INCOME (LOSS)	47,032	97,352	22,811	-	167,195
NON-OPERATING REVENUES (EXPENSES)					
Transfers in	50,000	-	-	-	50,000
Transfers (out)	-	(112,118)	-	-	(112,118)
TOTAL NON-OPERATING REVENUES (EXPENSES)	50,000	(112,118)	-	-	(62,118)
CHANGE IN NET POSITION	97,032	(14,766)	22,811	-	105,077
NET POSITION - JULY 1	(361,731)	290,267	61,223	714	(9,527)
NET POSITION - JUNE 30	\$ (264,699)	\$ 275,501	\$ 84,034	\$ 714	\$ 95,550

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				Total
	School Nutrition	School's	Munson Field	Other	
		Out Program		Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 703,932	\$ 819,599	\$ -	\$ -	\$ 1,523,531
Intergovernmental receipts	399,022	169,177	(22,811)	-	545,388
Other receipts	16,745	(8,389)	26,662	-	35,018
Payments to employees	(630,421)	(747,617)	(3,621)	-	(1,381,659)
Payments to suppliers	(531,198)	(120,652)	(230)	-	(652,080)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(41,920)	112,118	-	-	70,198
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in/(out)	50,000	(112,118)	-	-	(62,118)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	41,920	(112,118)	-	-	(70,198)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	10,000	-	-	10,000
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ 10,000	\$ -	\$ -	\$ 10,000
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 47,032	\$ 97,352	\$ 22,811	\$ -	\$ 167,195
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	5,349	-	-	-	5,349
Changes in operating assets and liabilities:					
(Increase) decrease in due from other governments	15,246	(12,439)	(22,811)	-	(20,004)
(Increase) decrease in inventory	(5,723)	-	-	-	(5,723)
(Increase) decrease due from other funds	-	(8,389)	-	-	(8,389)
(Decrease) increase in accounts payable	468	2,421	-	-	2,889
(Decrease) increase in accrued payroll	(28,874)	33,173	-	-	4,299
(Decrease) increase in due to other funds	(75,418)	-	-	-	(75,418)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (41,920)	\$ 112,118	\$ -	\$ -	\$ 70,198

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds <u>Student Activities</u>	- Pension Trust Fund <u> </u>
ASSETS		
Cash and cash equivalents	\$ 48,565	\$ -
Receivables:		
Investment income	-	8,360
Total receivables	<u>-</u>	<u>8,360</u>
Investments, at fair value:		
Mutual fund - equities	-	4,775,542
Mutual fund - fixed income	-	4,177,695
Total investments	<u>-</u>	<u>8,953,237</u>
Due from other governments	249,148	60,706
Prepaid benefit payments, net of redeposits	-	-
TOTAL ASSETS	<u><u>\$ 297,713</u></u>	<u><u>9,022,303</u></u>
LIABILITIES		
Accounts payable	\$ 28,661	-
Deposits held for others	269,052	-
TOTAL LIABILITIES	<u><u>\$ 297,713</u></u>	<u><u>-</u></u>
NET POSITION		
Restricted - held in trust for pensions		<u><u>\$ 9,022,303</u></u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Pension Trust Fund
ADDITIONS	
Contributions	\$ 795,546
Investment earnings:	
Net increase/(decrease) in fair value of investments	(563,151)
Interest and dividends	569,230
Investment expense	-
Net investment earnings	6,079
Total additions	801,625
DEDUCTIONS	
Distributions	454,840
Miscellaneous	-
Total deductions	454,840
Change in net position	346,785
NET POSITION - JULY 1, RESTATED	8,675,518
NET POSITION - JUNE 30	\$ 9,022,303

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The South Burlington School District was incorporated under the laws of the State of Vermont. The District provides the following services: instruction, operation and maintenance, transportation, administration, special education and vocational education.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The District's combined financial statements include all accounts and all operations of the District. We have determined that the District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's school nutrition funds, school's out program, Munson Field and other nonmajor funds are categorized as a business-type activity. All other activities of the District are categorized as governmental.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (instruction, operation and maintenance, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The District does not allocate indirect costs. All costs are charged directly to the corresponding departments.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the District are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund types are used by the District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

Major funds:

- a. The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of various capital improvements in the District.

Nonmajor funds:

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the District:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The District's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Vermont to the Vermont State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$44,494,640
Add: On-behalf payments	<u>2,449,325</u>
Total GAAP basis	<u>\$46,943,965</u>
Expenditures per budgetary basis	\$44,872,118
Add: On-behalf basis	2,449,325
Add: Capital outlay from debt proceeds	<u>571,125</u>
Total GAAP basis	<u>\$47,892,568</u>

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. In December, the Administration prepares a preliminary budget for review by the School Board of Directors.
2. After several public hearings, the School Board approves a budget for review by the voters forty-five days prior to election by the voters.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. On the first Tuesday of March, the budget is adopted subject if it receives a majority of the votes cast.
4. If the budget fails, the City charter governs the process for a revote and subsequent adoption.
5. Beginning in FY 2014, the budgets for Special Revenue Funds are now included both separately, and in detail, in the proposed budget.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the District's policy to value investments at fair value. None of the District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The District Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The South Burlington School District has no formal investment policy but instead follows the State of Vermont Statutes. They are in the process of adopting a more detailed investment policy.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school nutrition supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Prepaid Items

Certain insurance and other payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2016.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the District. The District has no retroactively recorded infrastructure.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable, compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The District's policies regarding vacation do permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the District's liability for compensated absences is \$31,157.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS) Plan and the South Burlington School District Retirement Income Plan (DRI) and additions to/deductions from the VSTRS and the DRI Plans' fiduciary net

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

position have been determined on the same basis as they are reported by the VSTRS and the DRI Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualifies for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the District. The inhabitants of the District through District meetings are the highest level of decision-making authority of the District. Commitments may be established, modified, or rescinded only through a District meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Directors.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District meeting vote has provided otherwise in its commitment or assignment actions.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided, operating or capital grants and contributions, including special assessments).

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating/Non-Operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The District does utilize encumbrance accounting for all fund.

Use of Estimates

During the preparation of the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The District's investment policies, which follow state statutes, authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all District funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The District does not have a policy covering custodial credit risk.

At June 30, 2016, the District's cash balance of \$6,302,674 which consisted of bank deposits and cash equivalents amounting to \$6,453,936. Of this balance, \$166,888 was insured by federal depository insurance and consequently was not exposed to custodial credit risk; \$6,287,048 was collateralized with securities held by the financial institution in the District's name.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Account Type	Bank Balance
Checking accounts	\$ 99,434
Concentration - Investment	6,337,049
Cash equivalents	17,454
	\$ 6,453,936

Custodial credit risk for investments is that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the District does not have a policy for custodial credit risk for investments.

At June 30, 2016, the District's investments amounting to \$8,953,237 were comprised of the following:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years	> 5 Years
Mutual fund - fixed income	4,177,695	4,177,695	-	-	-
Mutual fund - equities	4,775,542	4,775,542	-	-	-
	\$ 8,953,237	\$ 8,953,237	\$ -	\$ -	\$ -

The District seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. District investments of up to \$500,000 were covered by the Securities Investor Protection Corporation (SIPC). The remaining balance of the District's investments totaling \$8,453,237 was uncollateralized and uninsured.

Credit risk – Statutes for the State of Vermont authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The District does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 1,331,994	\$ 739,603
Capital projects fund	-	803,879
Nonmajor special revenue funds	432,238	77,002
Proprietary funds	307,365	451,113
	\$ 2,071,597	\$ 2,071,597

NOTE 4 - CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2016 is as follows:

	Balance, 7/1/15	Additions	Disposals	Balance, 6/30/16
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ 262,554	\$ 1,755,644	\$ -	\$ 2,018,198
	262,554	1,755,644	-	2,018,198
Depreciated assets:				
Buildings	23,812,376	-	-	23,812,376
Building improvements	2,441,340	327,648	-	2,768,988
Land improvements	322,733	-	-	322,733
Furniture, fixtures and equipment	3,010,107	947,715	(555,414)	3,402,408
Vehicles	1,812,809	253,022	(119,050)	1,946,781
Infrastructure	733,735	5,150	-	738,885
	32,133,100	1,533,535	(674,464)	32,992,171
Less: accumulated depreciation	(25,874,223)	(846,741)	452,301	(26,268,663)
	6,258,877	686,794	(222,163)	6,723,508
Net capital assets	\$ 6,521,431	\$ 2,442,438	\$ (222,163)	\$ 8,741,706

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/15	Additions	Disposals	Balance, 6/30/16
<u>Business-Type activities:</u>				
Depreciated assets:				
Machinery and equipment	\$ 394,029	\$ 8,080	\$ -	\$ 402,109
	<u>394,029</u>	<u>8,080</u>	<u>-</u>	<u>402,109</u>
Less: accumulated depreciation	(363,119)	(5,349)	-	(368,468)
	<u>30,910</u>	<u>2,731</u>	<u>-</u>	<u>33,641</u>
Net capital assets	<u>\$ 30,910</u>	<u>\$ 2,731</u>	<u>\$ -</u>	<u>\$ 33,641</u>
Current year depreciation:				
Direct services				\$ 578,307
Support services				36,232
Athletics				43,839
Operation & maintenance				50,098
Transportation				130,559
FHTMS				3,794
Special education				3,912
Subtotal governmental depreciation expense				<u>846,741</u>
Food service				5,349
Total depreciation expense				<u>\$ 852,090</u>

NOTE 5 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Due Within One Year
Bonds payable	\$ 2,075,000	\$ -	\$ (560,000)	\$ 1,515,000	\$ 260,000
Capital leases	905,187	571,125	(551,906)	924,406	437,934
Accrued compensated absences	39,368	-	(8,211)	31,157	31,157
Net pension liability	2,261,016	735,613	(121,436)	2,875,193	-
	<u>\$ 5,280,571</u>	<u>\$ 1,306,738</u>	<u>\$ (1,241,553)</u>	<u>\$ 5,345,756</u>	<u>\$ 729,091</u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

\$2,475,000, 1996 General Obligation Bond due in annual installments and semiannual interest installments through November 2016. Interest is charged at a rate from 5.393% to 6.093% per annum. Annual installments vary from \$120,000 and \$125,000.	120,000
\$2,795,000, 2005 General Obligation Bond due in annual installments and semiannual interest installments through November 2025. Interest is charged at a rate from 3.000% to 4.580% per annum. Annual installments are \$140,000 except for the last payment which is \$135,000.	1,395,000 <u>\$ 1,515,000</u>

The following is a summary of outstanding bond principal and interest requirements for the fiscal years ending June 30:

	Principal	Interest	Total Debt Service
2017	\$ 260,000	61,905	321,905
2018	140,000	52,376	192,376
2019	140,000	46,419	186,419
2020	140,000	40,392	180,392
2021	140,000	34,295	174,295
2022-2026	695,000	78,147	773,147
	\$ 1,515,000	\$ 313,534	\$ 1,828,534

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

The District Leases copiers under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2016. Annual payments are \$45,317. Interest is charged at a rate of 3.49% per annum.

The District Leases computers and 3 buses under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in July of 2016. Annual payments vary. Interest is charged at a rate of 3.49% per annum

The District leased 1 bus and 263 Dell Laptops. The term of the lease is for four years expiring on July of 2016. Annual payments are based on an amortization schedule.

The District Leases laptops, Buses and a Trucks under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2018. Annual payments are \$142,305, except for the last payment which is \$65,070.

The District leases laptops, a loader with accessories, and 2 buses under a non-cancelable lease agreement. The term of the lease is for a three year period expiring in August of 2018. Annual payments are \$148,516.

The following is a summary of outstanding capital lease requirements for the following fiscal years ending June 30:

Year Ending June 30:		
2017	\$	462,843
2018		290,821
2019		213,585
2020		-
2021		-
Total minimum lease payment		967,249
Less amount representing interest		(42,843)
Present value of future minimum lease payments	\$	924,406

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - OPERATING LEASES

The District entered into a one-year lease agreement with Burlington Hyundai-Subaru for the lease of a Hyundai Sonata. The lease period runs through December of 2016 at a daily rate of \$10. The following is a schedule of future minimum lease payments under this lease:

During the year ending June 30, 2017	<u>\$1,520</u>
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Total lease payments made this year were \$2,430.

NOTE 7 - SHORT-TERM DEBT

The District issued and repaid \$1,500,000 of tax revenue anticipation notes during the year ended June 30, 2016. The purpose of this short-term debt is to provide liquidity for District operations financed by property taxes, which are collected in annual payments.

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the District had the following nonspendable fund balances:

General fund:	
Prepaid items	<u>\$ 36,534</u>

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2016, the District had the following restricted fund balances:

Capital projects fund	\$ 264,750
Nonmajor special revenue funds (Schedule D)	<u>198,193</u>
	<u>\$ 462,943</u>

NOTE 10 - COMMITTED FUND BALANCES

At June 30, 2016, the District had the following committed fund balances:

General fund:	
Reserved for FY 2016 budget	\$ 1,341,283
Nonmajor special revenue funds (Schedule D)	<u>41,122</u>
	<u>\$ 1,382,405</u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - ASSIGNED FUND BALANCES

At June 30, 2016, the District had the following assigned fund balances:

Nonmajor special revenue funds (Schedule D)	<u>\$ 3,387</u>
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NOTE 12 - DEFINED BENEFIT PENSION PLANS

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the District participate in the Vermont State Teachers' Retirement System ("VSTRS"), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, covering nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016, the retirement system consisted of 288 participating employers.

The plan was established effective July 1, 1947, and is governed by *Title 16, V.S.A. Chapter 55*. Subsequent Vermont state legislation, *Act 74*, which became effective on July 1, 2010, contained numerous changes to the plan benefits available to current and future members, as well as a change in access to health care coverage after retirement, resulting from a multi-party agreement to provide sustainability of quality pension and retiree health benefits for Vermont teachers.

The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of six members. They are the Secretary of Education (ex-officio); the State Treasurer (ex-officio), the Commissioner of Financial Regulation (ex-officio); two members and one alternate elected by active members of the System under rules adopted by the Board; and one retired member and one alternate elected by the board of directors of Association of Retired Teachers of Vermont. The Chair is elected by the Board and acts as executive officer of the Board.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. The Vermont State Agency of Administration issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

The VSTRS provides retirement, and disability benefits, annual cost-of-living adjustments, health care and death benefits to plan members and beneficiaries. There are two levels of contributions and benefits in the System: Group A-for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A; and Group C- for public school teachers employed within the State of Vermont on or after July 1, 1990. Group C also includes those teachers hired prior to July 1, 1990 and were in Group B on July 1, 1990. When *Act 74* became effective on June 30, 2010, Group C was further bifurcated into Groups #1 and #2. Group #1 contains members who were at least 57 years of age or had at least 25 years of service, and Group #2 contains members who were less than 57 years of age and had less than 25 years of service.

Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Normal service retirement eligibility (no reduction)	Age 60 or 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula – normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC, 2.0% after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5%, minimum of 1% after 12 months of normal retirement or age 65
Earl Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction

Other post employment benefits are available to all plan members include the following:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Medical Benefits	Health subsidy based on member's service credit	Health subsidy based on member's service credit	Health subsidy based on member's service credit
Dental	Members pays full premium	Members pays full premium	Members pays full premium

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the School District but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the School District has no legal obligation for paying benefits. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System’s actuary, which varies by plan group. The Vermont State Teachers Retirement System estimates the contributions on behalf of the School District’s employees included in the teacher’s retirement plan which approximates \$2,449,325 or 12.84% of total payroll for employees covered under the plan.

Employee contribution rates by Plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	2.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$1,051,524 during the year and were paid by the School District to the State of Vermont. The School District has no other liability under the plan. The School District’s total payroll for all employees covered under this plan was \$19,075,741 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore these employers are considered to be in a special funding situation as defined in GASB No. 68 and the State is treated as a nonemployer to VSTRS. Since the District does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2016. The State’s portion of the collective net pension liability that was associated with the District was as follows:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>38,063,925</u>
Total	\$	<u><u>38,063,925</u></u>

The State of Vermont's proportionate share of the net pension liability associated with the District is equal to the collective net pension liability, actuarially measured as of June 30, 2015, multiplied by the District's proportionate share percentage. The District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2015, the District's proportion was 3.20807%, which was an increase of 0.02347% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized total pension expense of \$3,586,194 and revenue of \$3,586,194 for support provided by the State of Vermont.

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010:

Interest Rate: A select-and-ultimate interest rate set, specified below. The interest rate is restarted every year:

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant Actuarial Assumptions and Methods (Continued)

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows:

<u>Age</u>	<u>Annual Rate of Salary Increase</u>
25	8.40%
30	7.05%
35	6.15%
40	5.45%
45	4.95%
50	4.60%
55	4.35%
60	4.25%
64	4.25%

Deaths After Retirement: The 1995 Buck Mortality Tables set back three years for males and one year for females, for retirees, terminated vested members and beneficiaries; the RP-2000 Disabled Life Table with projection to 2016 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 3% per annum for Group A members and 1.5% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Actuarial cost Method: Entry Age Normal - Level Percentage of Pay.

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

Member Data: 351 members terminated on June 30, 2013 and retired on July 1, 2013 were included with a valuation status as members receiving benefits. 409 members who were active on June 30, 2013 and terminated on July 1, 2013, were included with a valuation status as inactive. For those terminated members with at least

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant Actuarial Assumptions and Methods (Continued)

five years of service, the system will automatically vest them six years after their termination if they do not withdraw.

Long-term Expected Rate of Return

The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	31.50%	6.70%
Fixed income	33.00%	2.94%
Alternative	15.50%	6.26%
Multi-strategy	<u>20.00%</u>	5.98%
Total	<u><u>100.00%</u></u>	

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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 8.15%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District calculated using the discount rate of 8.15 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.15%) or one percent higher (9.15%):

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	7.15%	8.15%	9.15%
State's proportionate share of the net pension liability associated with the District	\$ 48,334,324	\$ 38,063,925	\$ 29,447,976

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the VSTRS or its participating employers. VSTRS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

DISTRICT RETIREMENT INCOME PLAN

Plan Description

The South Burlington School District Retirement Income Plan (the Plan) is a single-employer, noncontributory, defined benefit pension plan which provides retirement benefits to eligible employees of the District. The Plan is administered by the South Burlington Board of School Directors, made up of five elected members who provide the authority under which benefits provisions and the District's obligation to contribute are established. The Plan is included as a pension trust fund in these basic financial statements.

Substantially all employees of the District (except professional educators) are members of the Plan. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the District and compensation rates near retirement. Employees are eligible at the beginning of the plan year following employment in a position requiring 1,000 or more hours of credited service. No vesting occurs prior to five years of service.

Plan Membership:

At September 30, 2015, the plan's reporting period, plan membership consisted of the following:

Inactive plan participants or beneficiaries currently receiving benefits	93
Inactive plan participants entitled to but not yet receiving benefits	80
Active plan participants	<u>172</u>
Total plan participants	<u>345</u>

As of September 11, 2013, the plan was closed to new participants.

Benefits Provided

The plan provides retirement, and disability and death benefits to plan members and their beneficiaries. Benefits available are based on average annual compensation (AAC) and years of creditable service, and are summarized below:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Normal retirement age	Age 62.	
Normal retirement date	First of the month coincident with or next following the participant's 62 nd birthday.	
Compensation	Total wages received by a participant during a calendar year that ends within the plan year.	
Average annual compensation (AAC)	Participant's highest average annual compensation of three consecutive calendar years in which the participant has earned credited service.	
Years of service	A twelve-month period during which an employee works 1,000 hours.	
Vesting schedule	<u>Years of Service</u>	<u>Percentage</u>
	Less than 5	0%
	5	100%
Normal retirement	Eligibility	Attainment of age 62.
	Benefit amount	1.25% of the participant's AAC times years of service.
	Commencement date	Normal retirement date
Early retirement	Eligibility	Attainment of age 55 and completion of 5 or more years of service.
	Benefit amount	Normal retirement benefit based on compensation and credited service as of early retirement date, reduced by 1/15 th for each of the first 5 years and 1/30 th for each of the next 5 years that commencement precedes age 62.
	Commencement date	Early retirement date.
Late retirement	Eligibility	Retirement beyond normal retirement date.
	Benefit amount	Greater of the normal retirement benefit based on compensation and credited service as of late retirement date and the actuarial equivalent of the benefit as of the prior plan year.
	Commencement date	Late retirement date.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

Deferred vested	Eligibility	Completion of five or more years of service.
	Benefit amount	Normal retirement benefit based on compensation and credited service as of termination date.
	Benefit amount	Accrued benefit payable to beneficiary.
Optional forms of payment	The normal form of payment is a life annuity with ten years certain. A participant may elect to receive his or her benefit in one of the following optional forms of payment:	
	<ul style="list-style-type: none"> • Single life annuity – monthly income for the life of the participant. 	
	<ul style="list-style-type: none"> • Contingent annuity – monthly income for the life of the participant, and in the event of the participant’s death, an amount of monthly income equal to 50%, 66-2/3% or 100% (as elected by the participant) for the life of the participant’s beneficiary. 	
	<ul style="list-style-type: none"> • Ten-year certain annuity – monthly income for the life of the participant with the provision that not less than 120 monthly payments shall be made to the participant and beneficiary. 	

That portion of a terminated participant's accrued benefit that is forfeited shall be used only to reduce future costs of the plan.

Contributions

The District’s obligation to contribute is established and may be amended by the South Burlington Board of School Directors. The Board establishes employer contributions based on an actuarially determined contributions recommended by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by the plan members during the year, with an additional amount to finance a portion of any unfunded accrued liability. The calculation of the actuarially determined contribution is governed by the applicable provisions of the Retirement Code. The District contributed \$625,000 for the year ended June 30, 2016. The District’s total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$5,738,245.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a net pension liability of \$2,875,193 for the Plan. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2016, the District recognized total pension expense of \$735,613. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 111,077	\$ -
Changes of assumptions	-	44,626
Net difference between projected and actual earnings on pension plan investments	579,566	129,019
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	625,000	-
Total	\$ 1,315,643	\$ 173,645

\$625,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year ended June 30:		
2016	\$	120,412
2017		120,412
2018		120,414
2019		155,760
2020		-
Thereafter		-

Significant Actuarial Assumptions and Methods

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, dated September 30, 2015.

The total pension liability for the September 30, 2015 measurement date was determined by an actuarial valuation as of September 30, 2015 using the actuarial assumptions outlined below:

<i>Actuarial Cost Method:</i>	Entry Age Normal. The actuarial present value of the projected benefits of each individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age.
<i>Actuarial Asset Method:</i>	The Actuarial Value of Assets is the market value of assets as of the measurement date.
<i>Census Data:</i>	Census data of the valuation date were submitted by the South Burlington School District.
<i>Administrative Expenses:</i>	None.
<i>Investment Rate of Return:</i>	7.00%, net of investment expense, compounded annually.
<i>Discount Rate:</i>	7.00%, net of investment expense, compounded annually.
<i>Inflation Rate:</i>	As measured by the Consumer Price Index (CPI), at the rate of 2.5% per year.
<i>Salary Increases:</i>	The assumed annual rate of salary increases including longevity is 3.00%

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant Actuarial Assumptions and Methods (Continued)

Mortality Table: RP-2014 Total Dataset Mortality Table projected with full generational mortality improvement using Scale MP-2014.

Withdrawal Rates: Illustrative withdrawal rates are shown below:

<u>Age</u>	<u>Rate of Withdrawal</u>
25	5.30%
30	5.10%
35	4.70%
40	4.20%
45	3.50%
50	2.50%
55	0.90%
60	0.10%

Disability Rates: None assumed.

Retirement Rates: Illustrative retirement rates are shown below:

<u>Age</u>	<u>Rate of Withdrawal</u>
55	5.00%
56	2.00%
57	2.00%
58	2.00%
59	2.00%
60	2.00%
61	2.00%
62	40.00%
63	5.00%
64	5.00%
65	25.00%
66	25.00%
67	25.00%
68	25.00%
69	30.00%
70	100.00%

Deferred Benefits: Begin at age 62, or current age if older.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial valuation of the ongoing Plan involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash	0.00%	0.00%
Equities - domestic	47.50%	8.28%
Equities - international	12.50%	9.34%
Fixed income	26.00%	4.26%
Fixed income - global	7.00%	3.49%
Fixed income - high yield	3.50%	5.98%
Fixed income - emerging markets	3.50%	7.45%
Total	<u>100.00%</u>	

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from the District will be made in accordance with past practice. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Plan's net pension liability calculated using the discount rate of 7.00 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.00%	7.00%	8.00%
District's net pension liability	\$ 4,393,829	\$ 2,875,193	\$ 1,614,792

Pension Plan Fiduciary Net Position

The Plan does not issue stand-alone financial reports. For further financial and actuarial information about the Plan, refer to the District's fiduciary fund financial statements, which may be obtained online at www.sbsd.schoolfusion.us or by contacting the District at (802) 652-7250.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED CONTRIBUTION PLAN

Plan Description

The District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 403. All eligible employees hired on or after September 11, 2013 may only enroll in the 403 plan upon the completion of one (1) year of employment. The plan is administered by Empower Retirement.

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the South Burlington Board of School Directors. Under the 403 plan, the District is required to contribute 4.0% of a participant's earnings for the plan year, with no required match from the participant, one time per year, after the end of the fiscal year and no later than September 30 of the next year. For the year ended June 30, 2016, the District contribution to this plan was \$5,609.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in District contributions and earnings on District contributions after completion of 12 months of creditable service with the District. Non-vested District contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. There were no forfeitures of non-vested contributions for the year ended June 30, 2016, forfeitures.

NOTE 14 – DEFERRED COMPENSATION PENSION PLANS

403(b) DEFERRED COMPENSATION RETIREMENT PLAN

Plan Description

The District has elected to offer the Vermont State Teachers' Retirement System 403(b) plan to all employees of the District who make contributions to the plan and remain employed by the District. All employees are allowed to contribute up to the maximum allowed by law on a pre-tax basis. Vesting occurs immediately, the District match for the employees is the same between the union and non-union groups.

The District has contracted with Vermont State Teachers' Retirement System and with Empower Retirement as trustee. Employee contributions are withheld by the District and remitted regularly to Empower which applies the funds to accounts as directed by employees.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – DEFERRED COMPENSATION PENSION PLANS (CONTINUED)

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the District's management that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Funding Policy

For all support staff, employee contributions are matched up to 2% by the District. For central office administrators, the District makes a contribution of \$3,000, for the superintendent the contribution is \$5,000 to the employee's individual 403(b) accounts. There is no matching amount paid by the District for teachers and building administrators. For the year ended June 30, 2016, employee contributions totaled \$342,736, and the District recognized pension expense of \$91,715.

457 DEFERRED REVENUE SAVINGS PLAN

Plan Description

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. There is no employer match by the District. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. All employees are allowed to contribute up to the maximum allowed by law on a pre-tax basis.

The District has contracted with Empower Retirement to administer the plan. Employee contributions are withheld by the District and remitted regularly to Empower Retirement which applies the funds to accounts as directed by employees.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the District's management that the District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – DEFERRED COMPENSATION PENSION PLANS (CONTINUED)

Funding Policy

For the year ended June 30, 2016, employee contributions totaled \$174,191.

NOTE 15 – RETIREMENT INCENTIVES

The South Burlington Administrator’s Association and the South Burlington School Board agreement provide an early retirement program. The program is available to any administrator employed in 2000-2001 who retires after age fifty-five (55) and who has completed fifteen (15) years of service as an administrator or teach within the District.

Administrators that elect to utilize the program will receive benefits as follows:

90% of compensation from the average of the three highest compensated years. This will be paid out over three years. No health insurance coverage will be provided.

Two administrators were compensated under this incentive in fiscal year 2016 totaling \$231,090. The future liability to the District through FY 2017 is as follows:

For the year ending June 30, 2017	<u>\$ 38,381</u>
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NOTE 16 – EXPENDITURES OVER APPROPRIATIONS

The following departmental expenditures were overspent for the year ended June 30, 2016:

Transportation	\$ 61,749
Administration	95,371
Other support services	73,835
Special education	658,485
Transfers to other funds	499,881
	<u>\$ 1,389,321</u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17 – CONTINGENCIES

The District participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 18 – RISK MANAGEMENT

The District is a member of the Vermont School Boards Association. The Association has set up two insurance Trusts; Vermont School Boards Insurance Trust, Inc. (VSBIT) for worker compensation, multi-line intermunicipal school program, and unemployment compensation program, and the Vermont Education Health Initiative (VEHI) for medical benefits. VSBIT and VEHI are nonprofit corporations formed to provide insurance and risk management programs for Vermont School Districts and is owned by the participating Districts. The Trust is not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

NOTE 19 – DEFICIT FUND BALANCES / NET POSITION

At June 30, 2016, the District had the following deficit fund balances / net position:

Non-major special revenue funds:	
Project Search	\$ 2,544
Trail Project	2,993
Medicaid	226
Secondary Transformation	3,212
SBNN	2,339
Total non-major special revenue funds	<u>11,314</u>
Enterprise funds:	
School Nutrition	<u>264,699</u>
	<u>264,699</u>
Total	<u>\$ 276,013</u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 20 – SICK LEAVE

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. Such leave benefits do not vest under the District's policy, accordingly benefits must be used during employment. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Teaching staff earn 25 sick days per year, and may accumulate a maximum of 180 days. Administration earns 27 sick days per year, and may accumulate a maximum of 261 days. Non-Union support staff earns 20 sick days per year, and may accumulate a maximum of between 130 and 240 days. Union support staff earns 15 sick days per year, and may accumulate a maximum of between 130 and 240 days.

NOTE 21 – RESTATEMENTS

The net position of the governmental funds as of July 1, 2015 was restated by \$262,554. This restatement was made to include construction in progress from the prior year that was not correctly capitalized.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Schedule of Changes in Net Pension Liability and Related Ratios – District Retirement Income Plan
- Schedule of Contributions – District Retirement Income Plan
- Schedule of Investment Returns - District Retirement Income Plan

SOUTH BURLINGTON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,272,196	\$ 2,272,196	\$ 2,272,196	\$ -
Revenues (Inflows):				
Local assessments	-	-	2,716	2,716
Intergovernmental revenues:				
State subsidy	35,815,214	35,815,214	35,658,945	(156,269)
Other state revenue	5,343,271	5,343,271	5,900,136	556,865
Charges for services	53,300	53,300	122,058	68,758
Tuition	2,154,738	2,154,738	2,465,521	310,783
Interest income	25,000	25,000	16,546	(8,454)
Miscellaneous revenue	259,788	259,788	297,823	38,035
Transfers from other funds	30,895	30,895	30,895	-
Amounts Available for Appropriation	<u>45,954,402</u>	<u>45,954,402</u>	<u>46,766,836</u>	<u>812,434</u>
Charges to Appropriations (Outflows):				
Regular instruction	17,825,076	17,825,076	17,722,752	102,324
Support services	4,274,003	4,274,003	4,200,544	73,459
Transportation	1,358,644	1,358,644	1,420,393	(61,749)
Administration	3,389,391	3,389,391	3,484,762	(95,371)
Operations and maintenance	3,961,930	3,961,930	3,375,721	586,209
Debt service:				
Principal	560,000	560,000	560,000	-
Interest	83,794	83,794	65,488	18,306
Vocational education	251,282	251,282	189,345	61,937
Contingency	175,300	175,300	27,009	148,291
Other support services	3,095,695	3,095,695	3,169,530	(73,835)
Special education	9,478,208	9,478,208	10,136,693	(658,485)
Transfers to other funds	20,000	20,000	519,881	(499,881)
Total Charges to Appropriations	<u>44,473,323</u>	<u>44,473,323</u>	<u>44,872,118</u>	<u>(398,795)</u>
Budgetary Fund Balance, June 30	<u>\$ 1,481,079</u>	<u>\$ 1,481,079</u>	<u>\$ 1,894,718</u>	<u>\$ 413,639</u>
Utilization of unassigned fund balance	<u>\$ 791,117</u>	<u>\$ 791,117</u>	<u>\$ -</u>	<u>\$ (791,117)</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Proportion of the net pension liability	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>38,063,925</u>	<u>30,522,465</u>	<u>31,577,589</u>
Total	<u>\$ 38,063,925</u>	<u>\$ 30,522,465</u>	<u>\$ 31,577,589</u>
Covered-employee payroll	\$ 19,075,741	\$ 17,891,681	\$ 18,052,166
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%	60.59%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 19,075,741	\$ 17,891,681	\$ 18,052,166
Contributions as a percentage of covered- employee payroll	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year were determined as of June 30,
and are for those years for which information is available.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
DISTRICT RETIREMENT INCOME PLAN
LAST 10 FISCAL YEARS*

	2016	2015
Total pension liability		
Service cost	\$ 383,030	\$ 353,421
Interest	745,996	689,654
Changes in benefit terms	-	-
Difference between actual and expected experience	52,628	107,326
Changes of assumptions	(55,810)	-
Benefit payments, including refunds of employee contributions	(390,231)	(360,005)
Net change in total pension liability	<u>735,613</u>	<u>790,396</u>
Total pension liability - beginning	10,469,172	9,678,776
Total pension liability - ending (a)	<u>\$ 11,204,785</u>	<u>\$ 10,469,172</u>
Plan fiduciary net position		
Contributions - employer	\$ 715,137	\$ 757,500
Net investment income	(142,764)	720,974
Benefit payments, including refunds of member contributions	(390,231)	(360,005)
Administrative expense	-	-
Other	-	-
Net change in plan fiduciary net position	<u>182,142</u>	<u>1,118,469</u>
Plan fiduciary net position - beginning	8,147,450	7,028,981
Plan fiduciary net position - ending (b)	<u>\$ 8,329,592</u>	<u>\$ 8,147,450</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,875,193</u>	<u>\$ 2,321,722</u>
Plan fiduciary net position as a percentage of the total pension liability	74.34%	77.82%
Covered-employee payroll	\$ 5,738,245	\$ 5,908,499
Net pension liability as a percentage of its covered-employee payroll	50.11%	39.29%

* The actuarial amounts presented for each fiscal year were determined as of September 30, 2015, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS – DISTRICT RETIREMENT INCOME PLAN
LAST 10 FISCAL YEARS*

	2016	2015	2014
Actuarially determined contribution	\$ 609,693	\$ 595,456	\$ 636,704
Contributions in relation to the actuarially determined contribution	(715,137)	(625,000)	(765,000)
Contribution deficiency (excess)	<u>\$ (105,444)</u>	<u>\$ (29,544)</u>	<u>\$ (128,296)</u>
Covered-employee payroll	\$ 5,738,245	\$ 5,908,499	\$ 5,085,443
Contributions as a percentage of covered-employee payroll	12.46%	10.58%	15.04%

Notes to schedule:

Plan effective date: Original	October 1, 1974
Restatement	October 1, 2011
Latest admendment	October 1, 2013
Plan year:	October 1 - September 30

Actuarial assumptions and methods

Valuation date:	September 30, 2015
Actuarial cost method:	Entry Age Normal. The actuarial present value of the projected benefits of each individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age.
Actuarial asset method:	The Actuarial Value of Assets is the market value of assets as of the measurement date.
Census data:	Census data as of the valuation date were submitted by the South Burlington School District.
Administrative expenses:	None.
Investment rate of return:	7.00%, net of investment expense, compounded annually.
Discount rate:	7.00%, net of investment expense, compounded annually.
Inflation rate:	As measured by the Consumer Price Index (CPI), at the rate of :
Salary increases:	The assumed annual rate for salary increases including longevit
Mortality table:	RP-2014 Total Dataset Mortality Table projected with full generational mortality improvement using Scale MP-2014.
Withdrawal rates:	Illustrative withdrawal rates are shown below:

Age	Age	Rate of Withdrawal
25	25	5.30%
30	30	5.10%
35	35	4.70%
40	40	4.20%
45	45	3.50%
50	50	2.50%
55	55	0.90%
60	60	0.10%

Disability rates:	None assumed.	None assumed.
Retirement rates:	Illustrative withdrawal rates are shown below:	

Age	Age	Rate of Retirement
55	55	5.00%
56	56	2.00%
57	57	2.00%
58	58	2.00%
59	59	2.00%
60	60	5.00%
61	61	2.00%
62	62	40.00%
63	63	5.00%
64	64	5.00%
65	65	25.00%
66	66	25.00%
67	67	25.00%
68	68	25.00%
69	69	30.00%
70	70	100.00%

Deferred benefits:	Begin at age 62, or current age if older.
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* The actuarial amounts presented for each fiscal year were determined as of September 30, 2015, and are for those years for which information is available.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF INVESTMENT RETURNS – DISTRICT RETIREMENT INCOME PLAN
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	-1.68%	10.04%

Notes to schedule:

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of the time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

* The amounts presented for each fiscal year were determined as of September 30, 2014, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule – Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Proprietary Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Proprietary Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SOUTH BURLINGTON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues (Inflows):				
Local Assessments:				
Local share support	\$ -	\$ -	\$ 2,716	\$ 2,716
Intergovernmental revenues:				
General state aid	35,815,214	35,815,214	35,658,945	(156,269)
Technology center state	-	-	156,269	156,269
State aid transportation	516,974	516,974	549,371	32,397
IFTA-fuel tax refund	-	-	9,512	9,512
Erate	50,000	50,000	53,830	3,830
Mainstream block grant	827,000	827,000	827,528	528
Intensive reimbursement	3,106,997	3,106,997	3,253,021	146,024
Extraordinary reimbursement	593,800	593,800	488,464	(105,336)
Care and custody reimbursement	79,600	79,600	393,164	313,564
Essential early education	168,900	168,900	168,977	77
Charges for services:				
Driver education	18,300	18,300	16,569	(1,731)
Use of buildings/parking/transportation	-	-	72,182	72,182
Vocational education transportation	35,000	35,000	33,307	(1,693)
Tuition:				
Secondary, other districts	2,104,738	2,104,738	2,167,482	62,744
School choice	-	-	124,580	124,580
Secondary, excess	50,000	50,000	173,459	123,459
Interest income	25,000	25,000	16,546	(8,454)
Miscellaneous revenues:				
Rentals	139,788	139,788	64,788	(75,000)
Miscellaneous	75,000	75,000	88,835	13,835
Refund from prior year	-	-	1,269	1,269
Textbook replacement	-	-	186	186
Project Search	45,000	45,000	96,757	51,757
High school completion act 176	-	-	45,988	45,988
Homeless transportation reimbursement	-	-	-	-
Transfers from other funds	30,895	30,895	30,895	-
Amounts Available for Appropriation	<u>\$ 43,682,206</u>	<u>\$ 43,682,206</u>	<u>\$ 44,494,640</u>	<u>\$ 812,434</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Regular Instruction:				
Teacher Salaries	\$ 12,719,458	\$ 12,719,458	\$ 12,709,197	\$ 10,261
Aide Salaries	195,369	195,369	238,701	(43,332)
Substitute Salaries	444,500	444,500	399,200	45,300
Health Insurance	2,170,139	2,170,139	2,204,389	(34,250)
Payroll Taxes	994,722	994,722	995,497	(775)
Other Insurances	738,392	738,392	671,099	67,293
Supplies	234,190	234,190	218,424	15,766
Books and Periodicals	66,082	66,082	49,946	16,136
Equipment	48,286	48,286	58,933	(10,647)
Homebound Tutoring	4,000	4,000	4,372	(372)
School Choice Tuition	108,700	108,700	88,961	19,739
Other Expenditures	101,238	101,238	84,033	17,205
	<u>17,825,076</u>	<u>17,825,076</u>	<u>17,722,752</u>	<u>102,324</u>
Support Services:				
Guidance	1,502,319	1,502,319	1,486,220	16,099
Health Services	505,859	505,859	506,373	(514)
Improvement to Instruction	194,899	194,899	184,831	10,068
Director of Instruction	372,436	372,436	358,635	13,801
Educational Media Services	711,782	711,782	686,676	25,106
Audio-Visual Services	161,563	161,563	186,606	(25,043)
Technology Instruction	825,145	825,145	791,203	33,942
	<u>4,274,003</u>	<u>4,274,003</u>	<u>4,200,544</u>	<u>73,459</u>
Transportation:				
District Wide	1,187,241	1,187,241	1,216,995	(29,754)
Non-Resident	139,353	139,353	171,523	(32,170)
Field Trips	32,050	32,050	31,875	175
	<u>1,358,644</u>	<u>1,358,644</u>	<u>1,420,393</u>	<u>(61,749)</u>

SCHEDULE A (CONTINUED)

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Administration:				
School Directors	36,308	36,308	27,664	8,644
Legal Services	105,000	105,000	96,006	8,994
Human Resources	210,968	210,968	209,325	1,643
Central Administration	280,186	280,186	370,672	(90,486)
Building Management	2,133,899	2,133,899	2,177,942	(44,043)
Business Administration	623,030	623,030	603,153	19,877
	<u>3,389,391</u>	<u>3,389,391</u>	<u>3,484,762</u>	<u>(95,371)</u>
Operations and Maintenance:				
Maintenance of Plant	3,961,930	3,961,930	3,375,721	586,209
	<u>3,961,930</u>	<u>3,961,930</u>	<u>3,375,721</u>	<u>586,209</u>
Debt Service:				
Principal	560,000	560,000	560,000	-
Interest	83,794	83,794	65,488	18,306
	<u>643,794</u>	<u>643,794</u>	<u>625,488</u>	<u>18,306</u>
Vocational Education:				
Tuition	207,500	207,500	167,219	40,281
Transportation	43,782	43,782	22,126	21,656
	<u>251,282</u>	<u>251,282</u>	<u>189,345</u>	<u>61,937</u>
Contingency:				
Contingency - Programs	80,000	80,000	6,013	73,987
Contingency - Wages	95,000	95,000	-	95,000
Contingency - Staff	(9,700)	(9,700)	12,814	(22,514)
Contingency - Admin	10,000	10,000	8,182	1,818
	<u>175,300</u>	<u>175,300</u>	<u>27,009</u>	<u>148,291</u>

SCHEDULE A (CONTINUED)

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Other Support Services:				
Catamount Health	4,097	4,097	4,763	(666)
Workers Comp	7,554	7,554	17,146	(9,592)
Tech Center - State Requirement	156,369	156,369	156,269	100
District Network Services	1,054,568	1,054,568	1,013,312	41,256
Interest TAN	10,000	10,000	1,169	8,831
Co-Curricular	945,290	945,290	945,721	(431)
Co-Curricular transportation	63,431	63,431	66,425	(2,994)
Alumni/Development	62,378	62,378	68,114	(5,736)
Community Service	690,000	690,000	769,077	(79,077)
Mentoring	60,553	60,553	61,038	(485)
Exposure Bin	41,455	41,455	21,761	19,694
Act 176 High School completion	-	-	43,861	(43,861)
Other expenditures	-	-	874	(874)
	<u>3,095,695</u>	<u>3,095,695</u>	<u>3,169,530</u>	<u>(73,835)</u>
Special Education:				
Regular Instruction	7,912,582	7,912,582	8,687,043	(774,461)
Physical/Occupational Therapy	66,886	66,886	85,325	(18,439)
Psychological Services	104,827	104,827	85,133	19,694
Speech Services	840,408	840,408	714,889	125,519
Other support services	-	-	31,733	(31,733)
Administration	261,242	261,242	267,714	(6,472)
Transportation	292,263	292,263	264,856	27,407
	<u>9,478,208</u>	<u>9,478,208</u>	<u>10,136,693</u>	<u>(658,485)</u>
Transfers to Other Funds:				
Food Service	50,000	50,000	50,000	-
Special Revenue	-	-	-	-
Capital Projects	(30,000)	(30,000)	469,881	(499,881)
	<u>20,000</u>	<u>20,000</u>	<u>519,881</u>	<u>(499,881)</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 44,473,323</u>	<u>\$ 44,473,323</u>	<u>\$ 44,872,118</u>	<u>\$ (398,795)</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Due from other governments	79,488	79,488
Due from other funds	321,958	321,958
TOTAL ASSETS	<u>\$ 401,446</u>	<u>\$ 401,446</u>
LIABILITIES		
Accounts payable	\$ 26,668	\$ 26,668
Accrued payroll	95,584	95,584
Due to other funds	47,806	47,806
TOTAL LIABILITIES	<u>170,058</u>	<u>170,058</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	198,193	198,193
Committed	41,122	41,122
Assigned	3,387	3,387
Unassigned	(11,314)	(11,314)
TOTAL FUND BALANCES	<u>231,388</u>	<u>231,388</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 401,446</u>	<u>\$ 401,446</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Intergovernmental revenues	\$ 1,357,858	\$ 1,357,858
Other revenues	57,184	57,184
TOTAL REVENUES	<u>1,415,042</u>	<u>1,415,042</u>
EXPENDITURES	<u>1,495,470</u>	<u>1,495,470</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(80,428)</u>	<u>(80,428)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(80,428)	(80,428)
FUND BALANCES - JULY 1	<u>311,816</u>	<u>311,816</u>
FUND BALANCES - JUNE 30	<u>\$ 231,388</u>	<u>\$ 231,388</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds Description

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Title IIA	Project Search	Title IA	IDEA-B	50th Anniversary	IDEA-B Pre School
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	42,996	-	35,798	-	-	694
Due from other funds	8,757	-	-	76,315	49	-
TOTAL ASSETS	\$ 51,753	\$ -	\$ 35,798	\$ 76,315	\$ 49	\$ 694
LIABILITIES						
Accounts payable	\$ 26,106	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	25,647	-	-	55,603	-	-
Due to other funds	-	2,544	35,798	-	-	694
TOTAL LIABILITIES	51,753	2,544	35,798	55,603	-	694
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	20,712	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	49	-
Unassigned	-	(2,544)	-	-	-	-
TOTAL FUND BALANCES	-	(2,544)	-	20,712	49	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 51,753	\$ -	\$ 35,798	\$ 76,315	\$ 49	\$ 694
	\$ -					

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	VPA Service Learning and Leadership	Title III	Tobacco VKAT	Trail Project	IBM Community Grants	Building Bright Futures
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Due from other funds	150	8,456	1,423	-	500	-
TOTAL ASSETS	\$ 150	\$ 8,456	\$ 1,423	\$ -	\$ 500	\$ -
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	2,993	-	-
TOTAL LIABILITIES	-	-	-	2,993	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	150	8,456	1,423	-	500	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(2,993)	-	-
TOTAL FUND BALANCES	150	8,456	1,423	(2,993)	500	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 150	\$ 8,456	\$ 1,423	\$ -	\$ 500	\$ -

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Medicaid	EECBG Solar Grant	Inner Resilience	Fuel Up to Play	FHTMS School Climate Survey	Best Grant
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Due from other funds	-	-	33,159	3,338	-	1,493
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,159</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ 1,493</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	226	-	-	-	-	-
TOTAL LIABILITIES	<u>226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	1,493
Committed	-	-	33,159	-	-	-
Assigned	-	-	-	3,338	-	-
Unassigned	(226)	-	-	-	-	-
TOTAL FUND BALANCES	<u>(226)</u>	<u>-</u>	<u>33,159</u>	<u>3,338</u>	<u>-</u>	<u>1,493</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,159</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ 1,493</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	High School Completion	Turning Points in American History	EPSDT	Comcast 3 Year Grant for Technology	IBM Community Grants	Secondary Transformation
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Due from other funds	-	-	44,974	-	4,921	-
TOTAL ASSETS	\$ -	\$ -	\$ 44,974	\$ -	\$ 4,921	\$ -
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	3,212
TOTAL LIABILITIES	-	-	-	-	-	3,212
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	44,974	-	-	-
Committed	-	-	-	-	4,921	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(3,212)
TOTAL FUND BALANCES	-	-	44,974	-	4,921	(3,212)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 44,974	\$ -	\$ 4,921	\$ -

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	I-Team	Local Standards Board	Path	Mentoring	Rowland Foundation Fellowship	SBNN	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	79,488
Due from other funds	14,896	368	47,250	3,042	72,867	-	321,958
TOTAL ASSETS	\$ 14,896	\$ 368	\$ 47,250	\$ 3,042	\$ 72,867	\$ -	401,446
LIABILITIES							
Accounts payable	\$ 562	\$ -	\$ -	\$ -	\$ -	\$ -	26,668
Accrued payroll	14,334	-	-	-	-	-	95,584
Due to other funds	-	-	-	-	-	2,339	47,806
TOTAL LIABILITIES	14,896	-	-	-	-	2,339	170,058
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	368	47,250	-	72,867	-	198,193
Committed	-	-	-	3,042	-	-	41,122
Assigned	-	-	-	-	-	-	3,387
Unassigned	-	-	-	-	-	(2,339)	(11,314)
TOTAL FUND BALANCES	-	368	47,250	3,042	72,867	(2,339)	231,388
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,896	\$ 368	\$ 47,250	\$ 3,042	\$ 72,867	\$ -	\$ 401,446

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Title IIA	Project Search	Title IA	IDEA-B	50th Anniversary	IDEA-B Pre School
REVENUES						
Intergovernmental revenues	\$ 89,363	\$ -	\$ 281,401	\$ 525,731	\$ -	\$ 9,520
Other revenues	-	-	-	-	-	-
TOTAL REVENUES	<u>89,363</u>	<u>-</u>	<u>281,401</u>	<u>525,731</u>	<u>-</u>	<u>9,520</u>
EXPENDITURES	<u>126,806</u>	<u>643</u>	<u>307,033</u>	<u>578,153</u>	<u>-</u>	<u>9,520</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(37,443)</u>	<u>(643)</u>	<u>(25,632)</u>	<u>(52,422)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(37,443)	(643)	(25,632)	(52,422)	-	-
FUND BALANCES - JULY 1	<u>37,443</u>	<u>(1,901)</u>	<u>25,632</u>	<u>73,134</u>	<u>49</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ (2,544)</u>	<u>\$ -</u>	<u>\$ 20,712</u>	<u>\$ 49</u>	<u>\$ -</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	VPA Service Learning and Leadership	Title III	Tobacco VKAT	Trail Project	IBM Community Grants	Building Bright Futures
REVENUES						
Intergovernmental revenues	\$ -	\$ 37,645	\$ 15,379	\$ 5,320	\$ -	\$ -
Other revenues	1,968	-	-	-	500	2,250
TOTAL REVENUES	<u>1,968</u>	<u>37,645</u>	<u>15,379</u>	<u>5,320</u>	<u>500</u>	<u>2,250</u>
EXPENDITURES	<u>1,818</u>	<u>37,068</u>	<u>13,956</u>	<u>8,313</u>	<u>-</u>	<u>2,250</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>150</u>	<u>577</u>	<u>1,423</u>	<u>(2,993)</u>	<u>500</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	150	577	1,423	(2,993)	500	-
FUND BALANCES - JULY 1	-	7,879	-	-	-	-
FUND BALANCES - JUNE 30	<u>\$ 150</u>	<u>\$ 8,456</u>	<u>\$ 1,423</u>	<u>\$ (2,993)</u>	<u>\$ 500</u>	<u>\$ -</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Medicaid	EECBG Solar Grant	Inner Resilience	Fuel up to Play	FHTMS School Climate Survey	Best Grant
REVENUES						
Intergovernmental revenues	\$ 264,999	\$ -	\$ -	\$ -	\$ -	\$ 6,939
Other revenues	-	-	43,676	510	-	-
TOTAL REVENUES	<u>264,999</u>	<u>-</u>	<u>43,676</u>	<u>510</u>	<u>-</u>	<u>6,939</u>
EXPENDITURES	<u>243,047</u>	<u>-</u>	<u>28,118</u>	<u>-</u>	<u>-</u>	<u>5,446</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>21,952</u>	<u>-</u>	<u>15,558</u>	<u>510</u>	<u>-</u>	<u>1,493</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	21,952	-	15,558	510	-	1,493
FUND BALANCES - JULY 1	<u>(22,178)</u>	<u>-</u>	<u>17,601</u>	<u>2,828</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ (226)</u>	<u>\$ -</u>	<u>\$ 33,159</u>	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ 1,493</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	High School Completion	Turning Points in American History	EPSDT	Comcast 3 Year Grant for Technology	IBM Community Grants	Secondary Transformation
REVENUES						
Intergovernmental revenues	\$ -	\$ -	\$ 25,873	\$ -	\$ -	\$ 2,500
Other revenues	-	-	-	-	-	-
TOTAL REVENUES	-	-	25,873	-	-	2,500
EXPENDITURES	-	-	22,963	-	-	2,186
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	2,910	-	-	314
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	2,910	-	-	314
FUND BALANCES - JULY 1	-	-	42,064	-	4,921	(3,526)
FUND BALANCES - JUNE 30	\$ -	\$ -	\$ 44,974	\$ -	\$ 4,921	\$ (3,212)

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	I-Team	Local Standards Board	Path	Mentoring	Rowland Foundation Fellowship	SBNN	Totals
REVENUES							
Intergovernmental revenues	\$ 93,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,357,858
Other revenues	-	-	4,280	4,000	-	-	57,184
TOTAL REVENUES	93,188	-	4,280	4,000	-	-	1,415,042
EXPENDITURES							
	93,188	1,722	4,200	4,144	4,896	-	1,495,470
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES							
	-	(1,722)	80	(144)	(4,896)	-	(80,428)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(1,722)	80	(144)	(4,896)	-	(80,428)
FUND BALANCES - JULY 1	-	2,090	47,170	3,186	77,763	(2,339)	311,816
FUND BALANCES - JUNE 30	\$ -	\$ 368	\$ 47,250	\$ 3,042	\$ 72,867	\$ (2,339)	\$ 231,388

See accompanying independent auditors' report and notes to financial statements.

Enterprise Fund Description

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2016

	Cisco Lab	School Store	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other funds	1,125	-	1,125
Total current assets	<u>1,125</u>	<u>-</u>	<u>1,125</u>
TOTAL ASSETS	<u><u>\$ 1,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,125</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	411	411
Total current liabilities	<u>-</u>	<u>411</u>	<u>411</u>
TOTAL LIABILITIES	<u>-</u>	<u>411</u>	<u>411</u>
NET POSITION			
Unrestricted	<u>1,125</u>	<u>(411)</u>	<u>714</u>
TOTAL NET POSITION	<u><u>1,125</u></u>	<u><u>(411)</u></u>	<u><u>714</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,125</u></u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cisco Lab	School Store	Totals
OPERATING REVENUES			
Charges for services	\$ -	\$ -	\$ -
TOTAL OPERATING REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Other	-	-	-
TOTAL OPERATING EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>-</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	-	-	-
NET POSITION - JULY 1	<u>1,125</u>	<u>(411)</u>	<u>714</u>
NET POSITION - JUNE 30	<u>\$ 1,125</u>	<u>\$ (411)</u>	<u>\$ 714</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cisco Lab	School Store	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ -	\$ -	\$ -
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss) and other financing sources	\$ -	\$ -	\$ -
Changes in operating assets and liabilities:			
(Decrease) increase in due to other funds	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Direct Services	\$ 2,018,198	\$ 25,286,465	\$ 2,335,002	\$ 557,132	\$ 30,196,797
Support Services	-	21,288	719,560	85,902	826,750
Athletics	-	1,056,586	59,541	90,701	1,206,828
Operation & Maintenance	-	453,025	398,790	-	851,815
Transportation	-	65,790	1,735,300	5,150	1,806,240
Business Office	-	-	5,121	-	5,121
FHTMS	-	20,943	29,557	-	50,500
Food Service	-	-	402,109	-	402,109
Superintendent Office	-	-	27,203	-	27,203
Special Education	-	-	39,115	-	39,115
Total General Capital Assets	2,018,198	26,904,097	5,751,298	738,885	35,412,478
Less: Accumulated Depreciation	-	(23,032,163)	(3,373,393)	(231,575)	(26,637,131)
Net General Capital Assets	\$ 2,018,198	\$ 3,871,934	\$ 2,377,905	\$ 507,310	\$ 8,775,347

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
Direct Services	\$ 28,188,209	\$ 2,564,002	\$ (555,414)	\$ 30,196,797
Support Services	592,066	234,684	-	826,750
Athletics	1,206,828	-	-	1,206,828
Operation & Maintenance	619,494	232,321	-	851,815
Transportation	1,667,118	258,172	(119,050)	1,806,240
Business Office	5,121	-	-	5,121
FHTMS	50,500	-	-	50,500
Food Service	394,029	8,080	-	402,109
Superintendent Office	27,203	-	-	27,203
Special Education	39,115	-	-	39,115
	<u>32,789,683</u>	<u>3,297,259</u>	<u>(674,464)</u>	<u>35,412,478</u>
Total General Capital Assets	32,789,683	3,297,259	(674,464)	35,412,478
Less: Accumulated Depreciation	<u>(26,237,342)</u>	<u>(852,090)</u>	<u>452,301</u>	<u>(26,637,131)</u>
Net General Capital Assets	<u>\$ 6,552,341</u>	<u>\$ 2,445,169</u>	<u>\$ (222,163)</u>	<u>\$ 8,775,347</u>

See accompanying independent auditors' report and notes to financial statements.

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State of Vermont - Department of Education and Cultural Services:			
School Lunch Program	10.555	4450	\$ 243,532
School Breakfast Program	10.556	4452	62,935
Commodity Supplemental Food Program	10.565	N/A	59,856
Total Department of Agriculture			<u>366,323</u>
U.S. Department of Education			
Passed through State of Vermont - Department of Education and Cultural Services:			
Title IA - Educationally Deprived	84.010	4250T1911601	307,033
Local Entitlement - Regular Grant	84.027	4226T1911601	559,688
Local Entitlement - Proportionate Share	84.027	4226T1911602	18,466
IDEA - B - Part B Section 619	84.173	4228T1911601	9,520
Title III	84.365A	4375T1911502	1,040
Title III	84.365A	4375T1911601	36,028
Title IIA-Teaching Quality	84.367	4651T1911601	126,807
Total Department of Education			<u>1,058,582</u>
U.S. Department of Transportation			
Passed through State of Vermont Forestry, Parks and Recreation:			
Recreational Trails Program	20.219	NRTF-15-07	<u>8,313</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,433,218</u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
JUNE 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the South Burlington School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the South Burlington School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the South Burlington School District.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. South Burlington School District has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



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

Board of Directors
South Burlington School District
South Burlington, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the South Burlington School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the South Burlington School District's basic financial statements, and have issued our report thereon dated February 9, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
February 9, 2017



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE

Board of Directors
South Burlington School District
South Burlington, Vermont

Report on Compliance for Each Major Federal Program

We have audited South Burlington School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Burlington School District's major federal programs for the year ended June 30, 2016. South Burlington School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of South Burlington School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Burlington School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Burlington School District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Burlington School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
February 9, 2017

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

- *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

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

Any audit findings disclosed that are required to be reported
In accordance with section OMB Compliance Supplement? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Local Entitlement

Dollar threshold used to distinguish between type A and B: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None