

Federal Compliance Audit

South Burlington School District

June 30, 2018



Proven Expertise and Integrity

SOUTH BURLINGTON SCHOOL DISTRICT

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JUNE 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and OPEB information on pages 4 through 13 and 75 through 83 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 nonmajor 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 nonmajor 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 March 25, 2019, 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
March 25, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(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, 2018. 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 regular instruction, support services, transportation, administration, operations and maintenance, vocational education, other support services, special education 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 three major proprietary funds, the School Nutrition Fund, School's Out Program, Munson Field and two 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 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 - Pensions, a Schedule of Changes in Net Pension Liability and Related Ratios - District Retirement Income Plan, a Schedule of Contributions - District Retirement Income Plan, Schedule of Investment Returns - District Retirement Income Plan, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

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 decreased by \$404,749 from \$7,928,385 to \$7,523,636. The District's total business-type net position decreased by \$43,736 from a balance of \$202,428 to a balance of \$158,692.

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 a deficit \$757,828 at the end of this year for the governmental activities. The District's unrestricted net position for the business-type activities decreased to a balance of \$135,316 at the end of this year.

Table 1
South Burlington School District
Net Position
June 30,

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Assets:				
Current Assets	\$ 5,709,787	\$ 7,221,396	\$ 196,560	\$ 221,965
Capital Assets	13,020,288	13,240,040	23,376	26,676
Total Assets	<u>18,730,075</u>	<u>20,461,436</u>	<u>219,936</u>	<u>248,641</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	1,002,958	1,099,779	-	-
Total Deferred Outflows of Resources	<u>1,002,958</u>	<u>1,099,779</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	5,484,092	6,286,460	61,244	46,213
Long-term Debt Outstanding	6,001,235	6,878,762	-	-
Total Liabilities	<u>11,485,327</u>	<u>13,165,222</u>	<u>61,244</u>	<u>46,213</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	724,070	467,608	-	-
Total Deferred Inflows of Resources	<u>724,070</u>	<u>467,608</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	8,010,827	8,013,552	23,376	26,676
Restricted: Special Revenue Funds	270,637	280,168	-	-
Capital Projects Fund	-	74,563	-	-
Unrestricted (Deficit)	(757,828)	(439,898)	135,316	175,752
Total Net Position	<u>\$ 7,523,636</u>	<u>\$ 7,928,385</u>	<u>\$ 158,692</u>	<u>\$ 202,428</u>

Revenues and Expenses

Revenues for the District's governmental activities increased by 13.57%, while total expenses increased by 16.58%. Increases in all revenue categories account for this change. Likewise, significant increases were incurred in several expense categories, including operations and maintenance, program expenditures 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues				
Program Revenues:				
Charges for services	\$ 3,261,690	\$ 3,032,706	\$ 1,577,569	\$ 1,567,559
Operating grants and contributions	12,115,659	8,418,252	731,676	669,416
General Revenues:				
Grants and contributions not restricted to specific purposes	45,687,189	42,322,020	-	-
Other income	358,357	311,373	23,187	22,444
Total Revenues	<u>61,422,895</u>	<u>54,084,351</u>	<u>2,332,432</u>	<u>2,259,419</u>
Expenses				
Regular instruction	18,553,731	18,835,878	-	-
Support services	4,551,349	4,350,357	-	-
Transportation	1,622,902	1,695,105	-	-
Administration	3,647,471	3,561,082	-	-
Operations and maintenance	3,684,518	3,201,931	-	-
Interest on debt service	103,469	98,651	-	-
Vocational education	225,787	195,766	-	-
Contingency	109,069	10,123	-	-
Other support services	3,399,649	3,531,263	-	-
Special education	10,764,754	10,579,709	-	-
Program expenditures	1,807,061	191,566	2,386,168	2,172,541
State on-behalf payments	10,405,951	6,771,164	-	-
Unallocated depreciation (Note 4)	-	3,794	-	-
Total Expenses	<u>61,817,644</u>	<u>53,026,389</u>	<u>2,386,168</u>	<u>2,172,541</u>
Transfers	<u>(10,000)</u>	<u>(20,000)</u>	<u>10,000</u>	<u>20,000</u>
Change in Net Position	(404,749)	1,037,962	(43,736)	106,878
Net Position - July 1	<u>7,928,385</u>	<u>6,890,423</u>	<u>202,428</u>	<u>95,550</u>
Net Position - June 30	<u><u>\$ 7,523,636</u></u>	<u><u>\$ 7,928,385</u></u>	<u><u>\$ 158,692</u></u>	<u><u>\$ 202,428</u></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,

	2018	2017
Major Funds:		
General Fund:		
Nonspendable	\$ 58,025	\$ 2,880
Committed	555,345	553,435
Unassigned	65,456	509,513
Total General Fund	678,826	1,065,828
Capital Projects Fund:		
Restricted	-	74,563
Unassigned	(192,563)	-
Total Major Funds	\$ 486,263	\$ 1,140,391
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 270,637	\$ 280,168
Committed	52,588	41,483
Assigned	42,177	28,387
Unassigned	(10,524)	(10,524)
Capital Project Funds:		
Committed	300,000	300,000
Total Nonmajor Funds	\$ 654,878	\$ 639,514

The general fund total fund balances decreased by \$387,002 from the prior fiscal year due to expenditures exceeding revenues. The capital projects fund total fund balance decreased by \$267,126 from the prior year due to expenditures and the nonmajor fund balances increased by \$15,364 from the prior fiscal year due to revenues exceeding expenditures.

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 \$158,692. This was a decrease of \$43,736 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 were less than the budget by \$1,006,255. This was the result of almost all revenues being receipted less than budget with the exception of charges for services, interest income and transfers from other funds.

The general fund actual expenditures were under budget by \$857,669. This was the result of almost all categories being underspent with the exception of transportation, vocational education and contingency.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the District decreased by \$223,052. This is the result of capital additions of \$1,285,369 less current year depreciation expense of \$1,508,421.

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

	<u>2018</u>	<u>2017</u>
Construction in progress	\$ 2,498,662	\$ 2,498,662
Buildings	1,026,766	1,348,116
Building improvements	5,750,469	5,903,432
Land improvements	120,162	123,226
Furniture, fixtures and equipment	2,511,186	2,288,439
Vehicles	614,189	534,360
Infrastructure	522,230	570,481
Total	<u>\$ 13,043,664</u>	<u>\$ 13,266,716</u>

Debt

At June 30, 2018, the District had \$3,490,000 in bonds outstanding versus \$3,755,000 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 the three groups,

teachers and support staff, and administrators have been settled through June 30, 2019.

The District operates a Defined Benefit Retirement plan which covers 225 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 11, 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 due to the number of students being served as well as the cost per student increase that is paid to outside providers. This change is reflected in the FY 2018 budget.

The Administration works closely with the School Board to control spending, which in turn, is a key factor in keeping property tax rate increases in check. The property tax rates for the 2017 - 2019 fiscal years were reduced by 0.52%, 2.00%, and 1.82% respectively and the rates decreased by just over six cents from \$1.6117 to \$1.5506 per hundred dollars of property value during this period.

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 by the summer of 2018, over 94 homes have been purchased and removed.

Economic Factors and Next Year's Budgets and Rates

The Vermont Education Health Initiative (VEHI) made significant changes to its health plans beginning January 1, 2018. VEHI has four new plans to replace those existing ones and all employees needed to elect one of these four new plans. Along with the health plan changes, the Legislature passed Act 85 Healthcare Recapture, which over the course of two fiscal years starting with Fiscal Year 2018 the State will withhold a total of \$468,817 from our Education Fund revenue. This loss of revenue has dramatically reduced the Fund Balance.

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 forecasted to provide additional savings in the fiscal year to come. The District began to make significant modifications to the entrance at South Burlington High School due to needed security measures. There will be ongoing upgrades across the remaining schools to improve the safety and security for the students, staff and families of the District.

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 OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business- Type Activities	Total Government
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,995,125	\$ 10,000	\$ 5,005,125
Accounts receivable (net of allowance for uncollectibles)	690,391	123,108	813,499
Due from other governments	6,351	-	6,351
Inventory	-	23,347	23,347
Prepaid items	58,025	-	58,025
Internal balances	(40,105)	40,105	-
Total current assets	<u>5,709,787</u>	<u>196,560</u>	<u>5,906,347</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	2,498,662	-	2,498,662
Buildings and equipment, net of accumulated depreciation	10,521,626	23,376	10,545,002
Total noncurrent assets	<u>13,020,288</u>	<u>23,376</u>	<u>13,043,664</u>
TOTAL ASSETS	<u>18,730,075</u>	<u>219,936</u>	<u>18,950,011</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,002,958	-	1,002,958
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,002,958</u>	<u>-</u>	<u>1,002,958</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,733,033</u>	<u>\$ 219,936</u>	<u>\$ 19,952,969</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 417,606	\$ 8,266	\$ 425,872
Accrued payroll	3,731,939	52,978	3,784,917
Due to other governments	378,125	-	378,125
Current portion of long-term obligations	956,422	-	956,422
Total current liabilities	<u>5,484,092</u>	<u>61,244</u>	<u>5,545,336</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	3,225,000	-	3,225,000
Capital leases	834,147	-	834,147
Net pension liability	1,917,655	-	1,917,655
Total noncurrent liabilities	<u>6,001,235</u>	<u>-</u>	<u>6,001,235</u>
TOTAL LIABILITIES	<u>11,485,327</u>	<u>61,244</u>	<u>11,546,571</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	724,070	-	724,070
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>724,070</u>	<u>-</u>	<u>724,070</u>
NET POSITION			
Net investment in capital assets	8,010,827	23,376	8,034,203
Restricted for: Special revenue funds	270,637	-	270,637
Unrestricted (deficit)	(757,828)	135,316	(622,512)
TOTAL NET POSITION	<u>7,523,636</u>	<u>158,692</u>	<u>7,682,328</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 19,733,033</u>	<u>\$ 219,936</u>	<u>\$ 19,952,969</u>

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

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 18,553,731	\$ 3,157,227	\$ -	\$ -	\$ (15,396,504)	\$ -	\$ (15,396,504)
Support services	4,551,349	-	-	-	(4,551,349)	-	(4,551,349)
Transportation	1,622,902	43,729	-	-	(1,579,173)	-	(1,579,173)
Administration	3,647,471	-	-	-	(3,647,471)	-	(3,647,471)
Operations and maintenance	3,684,518	60,734	-	-	(3,623,784)	-	(3,623,784)
Vocational education	225,787	-	-	-	(225,787)	-	(225,787)
Contingency	109,069	-	-	-	(109,069)	-	(109,069)
Other support services	3,399,649	-	-	-	(3,399,649)	-	(3,399,649)
Special education	10,764,754	-	-	-	(10,764,754)	-	(10,764,754)
Program expenditures	1,807,061	-	1,709,708	-	(97,353)	-	(97,353)
On-behalf payments	10,405,951	-	10,405,951	-	-	-	-
Interest on debt service	103,469	-	-	-	(103,469)	-	(103,469)
Total governmental activities	61,817,644	3,261,690	12,115,659	-	(46,440,295)	-	(46,440,295)
Business type activities:							
School Nutrition	1,003,363	564,355	376,550	-	-	(62,458)	(62,458)
School's Out Program	1,370,906	1,013,214	355,126	-	-	(2,566)	(2,566)
Munson Field	11,899	-	-	-	-	(11,899)	(11,899)
Total business-type activities	2,386,168	1,577,569	731,676	-	-	(76,923)	(76,923)
Total government	\$ 64,203,812	\$ 4,839,259	\$ 12,847,335	\$ -	(46,440,295)	(76,923)	(46,517,218)

STATEMENT B (CONTINUED)
SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(46,440,295)</u>	<u>(76,923)</u>	<u>(46,517,218)</u>
General revenues:			
Grants and contributions not restricted to specific programs	45,687,189	-	45,687,189
Other income	358,357	23,187	381,544
Transfers	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
Total general revenues and transfers	<u>46,035,546</u>	<u>33,187</u>	<u>46,068,733</u>
Change in net position	(404,749)	(43,736)	(448,485)
NET POSITION - JULY 1	<u>7,928,385</u>	<u>95,550</u>	<u>8,023,935</u>
NET POSITION - JUNE 30	<u><u>\$ 7,523,636</u></u>	<u><u>\$ 51,814</u></u>	<u><u>\$ 7,575,450</u></u>

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

SOUTH BURLINGTON SCHOOL DISTRICT
BALANCE SHEET, GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,995,125	\$ -	\$ -	\$ 4,995,125
Accounts receivable (net of allowance for doubtful accounts)	653,256	37,135	-	690,391
Due from other governments	-	-	6,351	6,351
Prepaid items	58,025	-	-	58,025
Due from other funds	437,654	-	850,224	1,287,878
TOTAL ASSETS	<u>\$ 6,144,060</u>	<u>\$ 37,135</u>	<u>\$ 856,575</u>	<u>\$ 7,037,770</u>
LIABILITIES				
Accounts payable	\$ 276,302	\$ 109,306	\$ 31,998	\$ 417,606
Accrued payroll	3,613,740	-	118,199	3,731,939
Due to other funds	1,197,067	120,392	10,524	1,327,983
TOTAL LIABILITIES	<u>5,465,234</u>	<u>229,698</u>	<u>160,721</u>	<u>5,855,653</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	40,976	40,976
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>40,976</u>	<u>40,976</u>
FUND BALANCES (DEFICITS)				
Nonspendable - prepaid items	58,025	-	-	58,025
Restricted	-	-	270,637	270,637
Committed	555,345	-	352,588	907,933
Assigned	-	-	42,177	42,177
Unassigned	65,456	(192,563)	(10,524)	(137,631)
TOTAL FUND BALANCES (DEFICITS)	<u>678,826</u>	<u>(192,563)</u>	<u>654,878</u>	<u>1,141,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 6,144,060</u>	<u>\$ 37,135</u>	<u>\$ 856,575</u>	<u>\$ 7,037,770</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, 2018

	Total Governmental Funds
Total Fund Balances	\$ 1,141,141
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	13,020,288
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds shown below:	
Due from other governments	40,976
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	1,002,958
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	(3,490,000)
Capital leases	(1,519,461)
Accrued compensated absences	(30,541)
Net pension liability	(1,917,655)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(724,070)
Net position of governmental activities	\$ 7,523,636

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, 2018

	General Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 42,745,256	\$ -	\$ 1,709,708	\$ 44,454,964
Charges for service	181,514	-	-	181,514
Tuition	3,080,176	-	-	3,080,176
Interest income	17,250	-	-	17,250
State on-behalf payments	2,941,933	-	-	2,941,933
Other revenue	189,212	-	112,717	301,929
TOTAL REVENUES	49,155,341	-	1,822,425	50,977,766
EXPENDITURES				
Current:				
Regular instruction	18,620,239	-	-	18,620,239
Support services	4,420,871	-	-	4,420,871
Transportation	1,480,597	-	-	1,480,597
Administration	3,647,471	-	-	3,647,471
Operations and maintenance	3,599,427	-	-	3,599,427
Vocational education	225,787	-	-	225,787
Contingency	109,069	-	-	109,069
Other support services	3,353,726	-	-	3,353,726
Special education	10,764,754	-	-	10,764,754
Program expenditures	-	-	1,807,061	1,807,061
State on-behalf payments	2,941,933	-	-	2,941,933
Debt service:				
Principal	265,000	-	-	265,000
Interest	103,469	-	-	103,469
Capital outlay	-	267,126	-	267,126
TOTAL EXPENDITURES	49,532,343	267,126	1,807,061	51,606,530
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(377,002)	(267,126)	15,364	(628,764)
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	-	-	40,000
Transfers (out)	(50,000)	-	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	-	-	(10,000)
NET CHANGE IN FUND BALANCES (DEFICITS)	(387,002)	(267,126)	15,364	(638,764)
FUND BALANCES (DEFICITS) - JULY 1	1,065,828	74,563	639,514	1,779,905
FUND BALANCES (DEFICITS) - JUNE 30	\$ 678,826	\$ (192,563)	\$ 654,878	\$ 1,141,141

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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (638,764)</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	1,285,369
Depreciation expense	<u>(1,505,121)</u>
	<u>(219,752)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported:	
Due from other governments	<u>39,178</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>(96,821)</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>1,033,927</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Position.	
	<u>(816,900)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>(256,462)</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	(1,668)
Net pension liability	<u>552,513</u>
	<u>550,845</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (404,749)</u></u>

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

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	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	80,764	42,344	-	-	123,108
Inventory	23,347	-	-	-	23,347
Due from other funds	-	333,401	12,317	1,125	346,843
Total current assets	104,111	385,745	12,317	1,125	503,298
Noncurrent assets:					
Machinery and equipment	402,109	-	-	-	402,109
Total capital assets	402,109	-	-	-	402,109
Less: accumulated depreciation	(378,733)	-	-	-	(378,733)
Net capital assets	23,376	-	-	-	23,376
TOTAL ASSETS	\$ 127,487	\$ 385,745	\$ 12,317	\$ 1,125	\$ 526,674
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 6,684	\$ 1,582	\$ -	\$ -	\$ 8,266
Accrued payroll	152	52,826	-	-	52,978
Due to other funds	306,327	-	-	411	306,738
Total current liabilities	313,163	54,408	-	411	367,982
TOTAL LIABILITIES	313,163	54,408	-	411	367,982
NET POSITION					
Net investment in capital assets	23,376	-	-	-	23,376
Unrestricted (deficit)	(209,052)	331,337	12,317	714	135,316
TOTAL NET POSITION	(185,676)	331,337	12,317	714	158,692
TOTAL LIABILITIES AND NET POSITION	\$ 127,487	\$ 385,745	\$ 12,317	\$ 1,125	\$ 526,674

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, 2018

	Enterprise Funds				Total
	School Nutrition	School's Out Program	Munson Field	Other Enterprise Funds	
OPERATING REVENUES					
Intergovernmental	\$ 376,550	\$ 355,126	\$ -	\$ -	\$ 731,676
Charges for service	564,355	1,013,214	-	-	1,577,569
Other	10,147	-	13,040	-	23,187
TOTAL OPERATING REVENUES	951,052	1,368,340	13,040	-	2,332,432
OPERATING EXPENSES					
Salaries	383,334	970,882	3,593	-	1,357,809
Benefits/taxes	200,899	238,117	275	-	439,291
Food	377,119	-	-	-	377,119
Equipment repairs/equipment	8,683	6,943	-	-	15,626
Supplies	16,799	36,559	31	-	53,389
Travel	-	88	-	-	88
Depreciation	3,300	-	-	-	3,300
Other	13,229	118,317	8,000	-	139,546
TOTAL OPERATING EXPENSES	1,003,363	1,370,906	11,899	-	2,386,168
OPERATING INCOME (LOSS)	(52,311)	(2,566)	1,141	-	(53,736)
NON-OPERATING REVENUES (EXPENSES)					
Transfers in	50,000	-	-	-	50,000
Transfers (out)	-	(40,000)	-	-	(40,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	50,000	(40,000)	-	-	10,000
CHANGE IN NET POSITION	(2,311)	(42,566)	1,141	-	(43,736)
NET POSITION - JULY 1	(183,365)	373,903	11,176	714	202,428
NET POSITION - JUNE 30	\$ (185,676)	\$ 331,337	\$ 12,317	\$ 714	\$ 158,692

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, 2018

	Enterprise Funds				Total
	School Nutrition	School's Out Program	Munson Field	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 564,355	\$ 1,013,214	\$ 13,040	\$ -	\$ 1,590,609
Intergovernmental receipts	331,478	377,799	-	-	709,277
Other receipts	642	6,366	(1,141)	-	5,867
Payments to employees	(584,233)	(1,194,632)	(3,868)	-	(1,782,733)
Payments to suppliers	(362,242)	(162,747)	(8,031)	-	(533,020)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(50,000)	40,000	-	-	(10,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in/(out)	50,000	(40,000)	-	-	10,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	50,000	(40,000)	-	-	10,000
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)	\$ (52,311)	\$ (2,566)	\$ 1,141	\$ -	\$ (53,736)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	3,300	-	-	-	3,300
Changes in operating assets and liabilities:					
(Increase) decrease in due from other governments	(45,072)	22,673	-	-	(22,399)
(Increase) decrease in inventory	(9,505)	-	-	-	(9,505)
(Increase) decrease due from other funds	-	6,366	(1,141)	-	5,225
(Decrease) increase in accounts payable	3,467	(840)	-	-	2,627
(Decrease) increase in accrued payroll	(1,963)	14,367	-	-	12,404
(Decrease) increase in due to other funds	52,084	-	-	-	52,084
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (50,000)	\$ 40,000	\$ -	\$ -	\$ (10,000)

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

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds	Pension
	Student Activities	Trust Fund
ASSETS		
Cash and cash equivalents	\$ 25,223	\$ -
Receivables:		
Investment income	-	9,812
Other	149	-
Total receivables	<u>149</u>	<u>9,812</u>
Investments, at fair value:		
Mutual fund - equities	-	6,361,310
Mutual fund - fixed income	-	4,775,129
Total investments	<u>-</u>	<u>11,136,439</u>
Due from other governments	<u>317,419</u>	<u>2,530,874</u>
TOTAL ASSETS	<u><u>\$ 342,791</u></u>	<u><u>\$ 13,677,125</u></u>
LIABILITIES		
Accounts payable	\$ 6,294	\$ -
Unfunded liability	-	2,470,168
Deposits held for others	336,497	-
TOTAL LIABILITIES	<u><u>\$ 342,791</u></u>	<u><u>2,470,168</u></u>
NET POSITION		
Restricted - held in trust for pensions		<u>11,206,957</u>
TOTAL LIABILITIES AND NET POSITION		<u><u>\$ 13,677,125</u></u>

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

SOUTH BURLINGTON SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	\$ 690,575
Investment earnings:	
Net increase/(decrease) in fair value of investments	438,943
Interest and dividends	<u>311,508</u>
Net investment earnings	<u>750,451</u>
Total additions	<u>1,441,026</u>
DEDUCTIONS	
Distributions	<u>517,152</u>
Total deductions	<u>517,152</u>
Change in net position	923,874
NET POSITION - JULY 1	<u>10,283,083</u>
NET POSITION - JUNE 30	<u><u>\$ 11,206,957</u></u>

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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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: regular instruction, support services, transportation, administration, operations and maintenance, vocational education, other support services, special education and program expenditures.

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, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements.*" The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries,

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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 business-type activities. All other activities of the District are categorized as governmental.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.) excluding fiduciary activities. 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.

The following fund types are used by the District:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 pension trust). 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. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflow of resources, liabilities, deferred inflow of resources, 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, 2018

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	\$ 46,253,408
Add: On-behalf payments	2,941,933
Total GAAP basis	<u>\$ 49,195,341</u>
Expenditures per budgetary basis	\$ 46,640,410
Add: On-behalf basis	2,941,933
Total GAAP basis	<u>\$ 49,582,343</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.
3. On the first Tuesday of March, the budget is adopted subject if it receives a majority of the votes cast.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. If the budget fails, the City charter governs the process for a revote and subsequent adoption.

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.

Receivables

Receivables include amounts due for capital projects, instruction and food service. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$3,678,104 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$6,508 as of June 30, 2018.

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.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

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

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.

Capital Assets

Capital assets purchased or acquired with a cumulative cost by class 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.

Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, the District's liability for compensated absences is \$30,541.

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 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.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS). Additions to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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 revenue, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. The School District has 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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018, the District's cash balance of \$5,030,348 which consisted of bank deposits and cash equivalents amounting to \$5,595,669. Of this balance, \$250,000 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining balance was collateralized with securities held by the financial institution in the District's name.

Account Type	Bank Balance
Checking accounts	\$ 82,522
Concentration - Investment	5,513,147
	\$ 5,595,669

At June 30, 2018, the District's investments amounting to \$11,136,439 were comprised of the following:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years	> 5 Years
Mutual fund - fixed income	\$ 4,775,129	\$ 4,775,129	\$ -	\$ -	\$ -
Mutual fund - equities	6,361,310	6,361,310	-	-	-
	\$ 11,136,439	\$ 11,136,439	\$ -	\$ -	\$ -

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2018:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Mutual funds - fixed income	\$ 4,775,129	\$ 4,775,129	\$ -	\$ -
Mutual funds - equities	6,361,310	6,361,310	-	-
Total equity securities	<u>11,136,439</u>	<u>11,136,439</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 11,136,439</u>	<u>\$ 11,136,439</u>	<u>\$ -</u>	<u>\$ -</u>

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

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 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 District 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, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 437,654	\$ 1,197,067
Capital projects fund	300,000	120,392
Nonmajor special revenue funds	550,224	10,524
Proprietary funds	346,843	306,738
	\$ 1,634,721	\$ 1,634,721

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	Balance, 7/1/17	Additions	Disposals	Balance, 6/30/18
<u>Governmental activities:</u>				
Non-depreciated assets:				
Construction in progress	\$ 2,498,662	\$ -	\$ -	\$ 2,498,662
	2,498,662	-	-	2,498,662
Depreciated assets:				
Buildings	23,812,376	-	-	23,812,376
Building improvements	6,778,165	169,758	-	6,947,923
Land improvements	322,733	29,000	-	351,733
Furniture, fixtures and equipment	4,336,651	817,791	-	5,154,442
Vehicles	2,055,361	268,820	-	2,324,181
Infrastructure	843,341	-	-	843,341
	38,148,627	1,285,369	-	39,433,996
Less: accumulated depreciation	(27,407,249)	(1,505,121)	-	(28,912,370)
	10,741,378	(219,752)	-	10,521,626
Net capital assets	\$ 13,240,040	\$ (219,752)	\$ -	\$ 13,020,288

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/17	Additions	Disposals	Balance, 6/30/18
<u>Business-type activities:</u>				
Depreciated assets:				
Machinery and equipment	\$ 402,109	\$ -	\$ -	\$ 402,109
	<u>402,109</u>	<u>-</u>	<u>-</u>	<u>402,109</u>
Less: accumulated depreciation	(375,433)	(3,300)	-	(378,733)
	<u>26,676</u>	<u>(3,300)</u>	<u>-</u>	<u>23,376</u>
Net capital assets	<u>\$ 26,676</u>	<u>\$ (3,300)</u>	<u>\$ -</u>	<u>\$ 23,376</u>
Current year depreciation:				
Direct services				\$ 1,075,610
Support services				130,478
Athletics				45,923
Operation & maintenance				85,091
Transportation				164,225
FHTMS				<u>3,794</u>
Subtotal governmental depreciation expense				1,505,121
Food service				<u>3,300</u>
Total depreciation expense				<u>\$ 1,508,421</u>

NOTE 5 - LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18	Due Within One Year
Bonds payable	\$ 3,755,000	\$ -	\$ (265,000)	\$ 3,490,000	\$ 265,000
Capital leases	1,471,488	816,900	(768,927)	1,519,461	685,314
Accrued compensated absences	28,873	1,668	-	30,541	6,108
Net pension liability	2,470,168	1,272,607	(1,825,120)	1,917,655	-
	<u>\$ 7,725,529</u>	<u>\$ 2,091,175</u>	<u>\$ (2,859,047)</u>	<u>\$ 6,957,657</u>	<u>\$ 956,422</u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

\$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 principal installments are \$140,000 except for the last payment which is \$135,000.	\$ 1,115,000
\$2,500,000, 2016 General Obligation Bond due in annual installments and semiannual interest installments through November 2036. Interest is charged at a varying rate of 0.600% to 2.20% per annum. Annual principal installments are \$125,000.	2,375,000
	\$ 3,490,000

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

	Principal	Interest	Total Debt Service
2019	\$ 265,000	\$ 104,636	\$ 369,636
2020	265,000	96,595	361,595
2021	265,000	88,335	353,335
2022	265,000	79,848	344,848
2023	265,000	71,131	336,131
2024-2028	1,040,000	231,327	1,271,327
2029-2033	625,000	120,285	745,285
2034-2038	500,000	30,554	530,554
	\$ 3,490,000	\$ 822,711	\$ 4,312,711

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

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 District leases a Wachter Neuson loader under a non-cancelable lease agreement. The term of the lease is for a four year period expiring in August of 2019. Annual payments are \$68,657.

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 2021. Annual payments are \$63,061.

The District leases buses under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2020. Annual payments are \$22,875.

The District leases technology equipment under a non-cancelable lease agreement. The term of the lease is for a four year period expiring in August of 2019. Annual payments are \$145,212.

The District Leases Wachter Neuson loader under a non-cancelable lease agreement. The term of the lease is for a four year period expiring in August of 2019. Yearly payments are \$68,657.

The District leases copiers under a non-cancelable lease agreement. The term of the lease is for five years expiring on August of 2021. Annual payments are \$63,061.

The District Leases Buses under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2020. Annual payments are \$22,875.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

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

Year Ending June 30:	
2019	\$ 729,350
2020	515,764
2021	263,816
2022	92,699
Total minimum lease payment	1,601,629
Less amount representing interest	(82,168)
Present value of future minimum lease payments	\$ 1,519,461

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 September of 2019 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, 2018	<u>\$ 2,430</u>
--------------------------------------	-----------------

Total lease payments made this year were \$6,090.

NOTE 7 - SHORT-TERM DEBT

The District did not issue any tax revenue anticipation notes during the year ended June 30, 2018. The purpose of short-term debt is to provide liquidity for District operations financed by property taxes, which are collected in annual payments.

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2018, the District had the following restricted fund balances:

Nonmajor special revenue funds (Schedule E)	<u>\$ 270,637</u>
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SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2018, the District had the following committed fund balances:

General fund:	
Reserved for FY 2019 budget	\$ 555,345
Nonmajor special revenue funds (Schedule E)	52,588
Nonmajor capital projects funds (Schedule G)	300,000
	<u>\$ 907,933</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2018, the District had the following assigned fund balances:

Nonmajor special revenue funds (Schedule E)	<u>\$ 42,177</u>
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NOTE 11 - 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 most recent period available), the retirement system consisted of 299 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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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, 2018

NOTE 11 - 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
Early 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, 2018

NOTE 11 - 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 \$2,941,933 or 13.58% 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 \$1,132,688 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 \$21,663,717 for the year ended June 30, 2018.

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, 2018. 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, 2018

NOTE 11 - 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>47,554,360</u>
Total	\$	<u>47,554,360</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, 2017, 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, 2017, the District's proportion was 3.20792%, which was an increase of 0.06410% from its proportion measured as of June 30, 2016.

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

For the year ended June 30, 2018, the District recognized total pension expense \$6,177,798 and revenue of \$6,177,798 for support provided by the State of Vermont for the VSTRS plan.

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2014:

Investment Rate of Return: For the VSTRS plan, 7.50% per annum.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments for both plans are consistent with an expected annual inflation rate of 2.50% per year.

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

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Age	Annual Rate of Salary Increase
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

Deaths After Retirement: The VSTRS plan used the RP-2014 White Collar Employee with generational improvement Table for pre-retirement, the RP-2014 White Collar Annuitant with generational improvement Table for healthy retirees, and the RP-2014 Disabled Mortality Table for disabled retirees.

Separation from Service Before Retirement (Due to Withdrawal and Disability): Representative values of the assumed annual rates of withdrawal and disability are as follows:

VSTRS Plan:

Age	Withdrawal		Disability	
	Male	Female	Male	Female
25	21.00%	20.00%	0.005%	0.008%
30	12.60%	14.00%	0.008%	0.008%
35	8.40%	11.30%	0.010%	0.008%
40	6.50%	9.03%	0.015%	0.010%
45	5.80%	6.30%	0.026%	0.023%
50	5.40%	5.25%	0.067%	0.070%
55	5.40%	5.04%	0.044%	0.048%
60	5.40%	5.04%	0.147%	0.084%

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retirement Rates:

Age	Reduced Early Retirement		Full Early Retirement
	Group A	Group C	Grandfathered (Group C)
55	6.13%	6.13%	6.13%
56	6.25%	6.25%	6.25%
57	6.25%	6.25%	6.25%
58	6.25%	6.25%	6.25%
59	9.38%	9.38%	9.38%
60	12.50%	18.75%	18.75%
61	18.75%	18.75%	18.75%

Service Retirement

Age	Group A	Group C	
		Non-Grandfathered	Grandfathered
60	12.5%	17.0%	N/A
61	18.8%	17.0%	N/A
62	25.0%	20.0%	20.0%
63	22.0%	22.0%	22.0%
64	22.0%	22.0%	22.0%
65	33.0%	33.0%	33.0%
66	33.0%	33.0%	33.0%
67	33.0%	33.0%	33.0%
68	22.0%	22.0%	22.0%
69	33.0%	33.0%	33.0%
70	100.0%	100.0%	100.0%

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Retirement After 30 Years of Service

Age	Group A	Grandfathered (Group C)
49	0.00%	0.00%
50	40.00%	40.00%
51	20.00%	20.00%
52	20.00%	20.00%
53	20.00%	20.00%
54	20.00%	20.00%
55	20.00%	8.75%
56	10.00%	6.25%
57	10.00%	6.25%
58	10.00%	10.00%
59	10.00%	10.00%
60	30.00%	25.00%
61	25.50%	17.00%

Inactive Members: Valuation liability for the VSTRS plan equals 332.5% of accumulated contributions.

Future Administrative Expenses: No provisions were made for the VSTRS plan.

Unknown Data for Participants: For the VSTRS plan, it is the same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 35% of female members are assumed to be married.

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

Cost-of-Living Adjustments: Adjustments for the VSTRS plan are assumed to occur on January 1 following one year of retirement. For the VSTRS plan this occurs at the rate of 2.55% per annum for Group A members and 1.40% per annum for Group C members (beginning at age 62 for Group C members who elect reduced early retirement).

Actuarial Cost Method: Uses the Entry Age Actuarial Cost Method. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

For the VSTRS plan, the *asset valuation method* used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The *long-term expected rate of return* on the VSTRS 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 investment expense and inflation) developed for each major asset class. These best estimate ranges were 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 rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

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%.

Discount Rate

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan. 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.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The following presents the Supervisory Union's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VSTRS plan, as well as what the Supervisory Union's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95%) or 1 percentage point higher (8.95%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
State's proportionate share of the net pension liability associated with the District	\$ -	\$ -	\$ -

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

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.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2017, the plan's reporting period, plan membership consisted of the following:

Inactive plan participants or beneficiaries currently receiving benefits	101
Inactive plan participants entitled to but not yet receiving benefits	82
Active plan participants	<u>143</u>
Total plan participants	<u>326</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, 2018

NOTE 11 - 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, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (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 \$648,663 for the year ended June 30, 2018. The District’s total payroll for the year ended June 30, 2018 for all employees covered under this plan was \$5,331,496.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - 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, 2018, the District reported a net pension liability of \$1,917,655 for the Plan. The net pension liability was measured as of September 30, 2017, 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, 2018, the District recognized total pension revenue of \$199,230. At June 30, 2018, 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	\$ 195,242	\$ -
Changes of assumptions	-	218,490
Net difference between projected and actual earnings on pension plan investments	289,784	505,580
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	517,932	-
Total	\$ 1,002,958	\$ 724,070

\$517,932 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, 2019. 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, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan year ended September 30:		
2018	\$	(26,820)
2019		8,523
2020		(137,536)
2021		(83,211)
2022		-
Thereafter		-

Significant Actuarial Assumptions and Methods

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, dated September 30, 2017.

The total pension liability for the September 30, 2017 measurement date was determined by an actuarial valuation as of October 1, 2017 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, 2018

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality Table: RP-2014 Total Dataset Mortality Table, adjusted to 2006, projected with full generational mortality improvement using Scale MP-2016. Previously, mortality improvement using Scale MP-2015

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, 2018

NOTE 11 - 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, 2018 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	33.00%	8.75%
Equities - international	21.00%	9.35%
Fixed income	23.00%	4.26%
Fixed income - global	10.00%	3.54%
Fixed income - high yield	7.00%	6.13%
Fixed income - emerging markets	6.00%	7.45%
Total	<u>100.00%</u>	

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - 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	\$ 3,545,630	\$ 1,917,655	\$ 555,584

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.sbschools.net or by contacting the District at (802) 652-7055.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 12 - 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, 2018, the District contribution to this plan was \$40,001.

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, 2018, forfeitures.

NOTE 13 - 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, 2018

NOTE 13 - 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, 2018, employee contributions totaled \$369,962, and the District recognized pension expense of \$87,845.

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, 2018

NOTE 13 - DEFERRED COMPENSATION PENSION PLANS (CONTINUED)

Funding Policy

For the year ended June 30, 2018, employee contributions totaled \$207,999.

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

The Vermont State Teachers' Retirement System provides postemployment benefits to eligible VSTRS employees who retire from the System through a cost-sharing, multiple-employer postemployment benefit (OPEB) plan (the Plan).

The plan covers 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 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, 2017 (the most recent period available), the plan consisted of 266 participating employers.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members. 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.

Benefits Provided

VSTRS retirees and their spouses are eligible for medical, prescription drug and dental benefits on a lifetime basis if the retiree is eligible for pension benefits, as described in the Notes to Financial Statements for Defined Benefit Plan(s).

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Contributions

Varying levels of contributions are required from retirees and spouses for medical and prescription drug coverage at the following premium subsidy rates:

	Retiree Subsidy		Spouse Subsidy*	
Retired before June 30, 2010	At least ten years of service- 80% of premium Less than ten years of service- 0% of premium		0% of premium	
Retired after June 30, 2010	10 years or more of service at June 30, 2010-80% of premium		Years of service at June 30, 2010-80% of premium:	
	Less than 10 years of service at June 30, 2010:			
	Less than 15 years at retirement	Less than 15 years at retirement	Less than 10 years	25 years at retirement
	15-19.99 years at retirement	15-19.99 years at retirement	10-14.99 years	25 years at retirement
	20-24.99 years at retirement	20-24.99 years at retirement	15-24.99 years	10 additional years from June 30, 2010
	25 years or more at retirement	25 years or more at retirement	25-29.99 years	35 years at retirement
		30 or more years	5 additional years from June 30, 2010	

* Spouses of retirees who do not meet the requirements for an 80% subsidy can receive unsubsidized coverage

Premium Reduction Option: Participants retiring on or after January 1, 2007 with a VSTRS premium subsidy have a one-time option to reduce the VSTRS subsidy percentage during the retiree's life so that a surviving spouse may continue to receive the same VSTRS subsidy for the spouse's lifetime. If the retiree elects the joint and survivor pension option but not the Premium Reduction Option, spouses are covered for the spouse's lifetime but pay 100% of the plan premium after the retiree's death.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

OPEB Liabilities

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. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2018. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

School District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School District		23,398,896
Total	\$	23,398,896

The State of Vermont's proportionate share of the net OPEB liability associated with the School District is equal to the collective net OPEB liability, actuarially measured as of June 30, 2017, multiplied by the School District's proportionate share percentage. The School District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2017, the School District's proportion was 2.5098% which was an increase of 0.09175% from its proportion measured as of June 30, 2016.

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School District recognized total OPEB expense of \$1,286,220 and revenue of \$1,286,220 for support provided by the State of Vermont for the Plan. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	VSTRS OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
	-	-
Total	\$ -	\$ -

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

	VSTRS OPEB Plan	
Plan year ended June 30:		
2018	\$	-
2019		-
2020		-
2021		-
2022		-
Thereafter		-

Discount Rate

The discount rate is the single rate of return, that when applied to all projected benefit payments, results in an actuarial present value that is the sum of the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The sensitivity of net OPEB liability to changes in discount rate are as follows:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
VSTRS OPEB Plan: Discount rate	2.580%	3.580%	4.580%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Healthcare Trend Rate

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2018 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The sensitivity of net OPEB liability to changes in healthcare trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2016, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

Amortization

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Asset Valuation Method

The Asset Valuation Method used equals the preliminary asset value plus 20% of the difference between the market and preliminary asset values. The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected investment income. If necessary, a further adjustment is made to ensure that the valuation assets are within 20% of the market value.

The long-term expected rate of return on both 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 investment expense and inflation) developed for each major asset class. These best estimate ranges were 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 rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	5.92%
International equity	15.00%	6.71%
Emerging international equity	5.00%	9.70%
Core bonds	60.00%	1.38%
Inflation		2.75%
Total	<u>100.00%</u>	

Assumptions

The actuarial assumptions used to calculate the actuarially determined contribution rates can be found in the Report on the Actuarial Valuation of Post-Retirement Benefits of the Vermont State Teachers' Retirement System Prepared as of June 30, 2016 completed by Buck Consulting. As of June 30, 2017, they are as follows:

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate	3.58%
Salary Increase Rate	Varies by age
Non-Medicare	7.50% graded to 4.50% over 12 years
Medicare	7.75% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Pre-retirement Mortality	98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017.
Post-retirement Mortality	98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017.

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for June 30, 2017. For the fiscal year ended June 30, 2017, there were no changes in assumptions with the exception of the discount rate was increased from 2.85% to 3.58%.

OPEB Plan Fiduciary Net Position

The schedule of employer allocations and schedule of OPEB 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 VSTRS or their 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, 2018

NOTE 15 - 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 16 - 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 17 - DEFICIT FUND BALANCES/NET POSITION

At June 30, 2018, the District had the following deficit fund balances / net position:

Capital projects fund	<u>\$ 192,563</u>
Nonmajor special revenue funds:	
Project Search	2,544
Trail Project	2,325
SBNN	2,130
Secondary Transformation	<u>3,525</u>
Total nonmajor special revenue funds	<u>10,524</u>
Enterprise funds:	
School Nutrition	<u>185,676</u>
	<u>185,676</u>
Total	<u><u>\$ 388,763</u></u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 - 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 19 - SUBSEQUENT EVENTS

On July 1, 2018, The District issued a bond with Vermont Municipal Bond Bank. The amount of the bond is \$950,500 with an interest rate varying from 1.70% to 4.17%. The maturity date for the bond is November 1, 2038.

On August 3, 2018, the District entered a new equipment lease with Municipal Leasing Consultant's, LLC. The principal amount is \$227,500 with a 4.39% interest rate.

On August 15, 2018, the District entered a new equipment lease with Marlin Leasing Corporation. The equipment leased are dishwashers. The term of the lease is 5 years with monthly payments of \$601.

On September 7, 2018, the District issued a Tax/Revenue Anticipation note with Community Bank to meet its operating obligations during the fiscal year. The note allows principal draws up to \$2,500,000 at 2.00% interest with a maturity date of June 28, 2019.

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 - Pensions
- 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
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Notes to Required Supplementary Information

SOUTH BURLINGTON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,065,828	\$ 1,065,828	\$ 1,065,828	\$ -
Revenues (Inflows):				
Intergovernmental revenues:				
State subsidy	37,040,534	37,040,534	36,735,803	(304,731)
Other state revenue	6,605,761	6,605,761	6,009,453	(596,308)
Charges for services	131,556	131,556	181,514	49,958
Tuition	3,153,256	3,153,256	3,080,176	(73,080)
Interest income	16,550	16,550	17,250	700
Miscellaneous revenue	312,006	312,006	189,212	(122,794)
Transfers from other funds	-	-	40,000	40,000
Amounts Available for Appropriation	<u>48,325,491</u>	<u>48,325,491</u>	<u>47,319,236</u>	<u>(1,006,255)</u>
Charges to Appropriations (Outflows):				
Regular instruction	19,153,802	19,153,802	18,620,239	533,563
Support services	4,546,698	4,546,698	4,420,871	125,827
Transportation	1,431,717	1,431,717	1,480,597	(48,880)
Administration	3,667,232	3,667,232	3,647,471	19,761
Operations and maintenance	3,697,844	3,697,844	3,599,427	98,417
Debt service:				
Principal	265,000	265,000	265,000	-
Interest	103,469	103,469	103,469	-
Vocational education	193,238	193,238	225,787	(32,549)
Contingency	(54,000)	(54,000)	109,069	(163,069)
Other support services	3,444,587	3,444,587	3,353,726	90,861
Special education	10,998,492	10,998,492	10,764,754	233,738
Transfers to other funds	50,000	50,000	50,000	-
Total Charges to Appropriations	<u>47,498,079</u>	<u>47,498,079</u>	<u>46,640,410</u>	<u>857,669</u>
Budgetary Fund Balance, June 30	<u>\$ 827,412</u>	<u>\$ 827,412</u>	<u>\$ 678,826</u>	<u>\$ (148,586)</u>
Utilization of unassigned fund balance	<u>\$ 553,435</u>	<u>\$ 553,435</u>	<u>\$ -</u>	<u>\$ (553,435)</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>					
Proportion of the net pension liability District's proportionate share of the net pension liability	3.21%	3.14%	3.21%	3.18%	3.12%
	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>47,554,360</u>	<u>41,168,996</u>	<u>38,063,925</u>	<u>30,522,465</u>	<u>31,577,589</u>
Total	<u>\$ 47,554,360</u>	<u>\$ 41,168,996</u>	<u>\$ 38,063,925</u>	<u>\$ 30,522,465</u>	<u>\$ 31,577,589</u>
Covered-employee payroll	\$ 21,195,067	\$ 19,075,741	\$ 17,891,681	\$ 18,052,166	\$ 17,604,094
Proportionate share of the net pension liability as a percentage of its covered- employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	53.98%	55.31%	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 - PENSIONS
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015	2014
<u>VSTRS:</u>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 21,663,717	\$ 21,195,067	\$ 19,075,741	\$ 17,891,681	\$ 18,052,166
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year 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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DISTRICT RETIREMENT INCOME PLAN
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 343,888	\$ 374,585	\$ 383,030	\$ 353,421
Interest	839,558	796,079	745,996	689,654
Changes in benefit terms	-	-	-	-
Difference between actual and expected experience	89,161	138,497	52,628	107,326
Changes of assumptions	(95,125)	(225,232)	(55,810)	-
Benefit payments, including refunds of employee contributions	(450,565)	(413,640)	(390,231)	(360,005)
Net change in total pension liability	<u>726,917</u>	<u>670,289</u>	<u>735,613</u>	<u>790,396</u>
Total pension liability - beginning	11,875,074	11,204,785	10,469,172	9,678,776
Total pension liability - ending (a)	<u>\$ 12,601,991</u>	<u>\$ 11,875,074</u>	<u>\$ 11,204,785</u>	<u>\$ 10,469,172</u>
Plan fiduciary net position				
Contributions - employer	\$ 648,663	\$ 680,331	\$ 715,137	\$ 757,500
Net investment income	1,081,332	808,623	(142,764)	720,974
Benefit payments, including refunds of member contributions	(450,565)	(413,640)	(390,231)	(360,005)
Administrative expense	-	-	-	-
Other	-	-	-	-
Net change in plan fiduciary net position	<u>1,279,430</u>	<u>1,075,314</u>	<u>182,142</u>	<u>1,118,469</u>
Plan fiduciary net position - beginning	9,404,906	8,329,592	8,147,450	7,028,981
Plan fiduciary net position - ending (b)	<u>\$ 10,684,336</u>	<u>\$ 9,404,906</u>	<u>\$ 8,329,592</u>	<u>\$ 8,147,450</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,917,655</u>	<u>\$ 2,470,168</u>	<u>\$ 2,875,193</u>	<u>\$ 2,321,722</u>
Plan fiduciary net position as a percentage of the total pension liability	84.78%	79.20%	74.34%	77.82%
Covered-employee payroll	\$ 5,331,496	\$ 5,550,771	\$ 5,738,245	\$ 5,908,499
Net pension liability as a percentage of its covered-employee payroll	35.97%	44.50%	50.11%	39.29%

* The actuarial amounts presented for each fiscal year were determined as of September 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 - DISTRICT RETIREMENT INCOME PLAN
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
Actuarially determined contribution	\$ 616,054	\$ 690,573	\$ 609,693	\$ 595,456
Contributions in relation to the actuarially determined contribution	(648,663)	(634,692)	(795,546)	(625,000)
Contribution deficiency (excess)	\$ (32,609)	\$ 55,881	\$ (185,853)	\$ (29,544)
Covered-employee payroll	\$ 5,331,496	\$ 5,550,771	\$ 5,738,245	\$ 5,908,499
Contributions as a percentage of covered-employee payroll	12.17%	11.43%	13.86%	10.58%

Notes to schedule:

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

Actuarial assumptions and methods

Valuation date:	September 30, 2017
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 2.5% per year.
Salary increases:	The assumed annual rate for salary increases including longevity is 3.00%.
Mortality table:	RP-2014 Total Dataset Mortality Table, adjusted to 2006, projected with full generational mortality improvement using Scale MP-2016. Previously, mortality improvement using Scale MP-2015
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.
Retirement rates:	Illustrative withdrawal rates are shown below:

Age	Rate of Retirement
55	5.00%
56	2.00%
57	2.00%
58	2.00%
59	2.00%
60	5.00%
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.

* The actuarial amounts presented for each fiscal year were determined 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	11.42%	9.60%	-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, 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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	2.5098%	2.4181%
School District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the School District	<u>23,398,896</u>	-
Total	<u>\$ 23,398,896</u>	<u>\$ -</u>
Covered-employee payroll	\$ 21,195,067	\$ 19,075,741
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

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

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 21,663,717	\$ 21,195,067
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

The actuarial assumptions regarding inflation, investment return, salary increase, COLA increase and mortality were changed based on reviews of economic assumptions, rates of mortality and future expectations of experience for VSTRS.

The actuarial assumptions regarding inflation, investment return, COLA increase and mortality were changed based on reviews of economic assumptions, rates of mortality and future expectations of experience for VMERS.

The discount rate increased from 2.85% to 3.58% for the VSTRS OPEB liability.

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

SCHEDULE A

SOUTH BURLINGTON SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues (Inflows):				
Intergovernmental revenues:				
General state aid	\$ 37,040,534	\$ 37,040,534	\$ 36,735,803	\$ (304,731)
Technology center state	182,273	182,273	182,273	-
State aid transportation	631,221	631,221	604,153	(27,068)
IFTA-fuel tax refund	-	-	10,128	10,128
E-rate	58,000	58,000	47,062	(10,938)
Mainstream block grant	871,549	871,549	871,549	-
Intensive reimbursement	3,904,723	3,904,723	3,596,470	(308,253)
Extraordinary reimbursement	488,464	488,464	367,956	(120,508)
Care and custody reimbursement	300,554	300,554	167,084	(133,470)
Essential early education	168,977	168,977	162,778	(6,199)
Charges for services:				
Driver education	17,569	17,569	10,436	(7,133)
Use of buildings/parking/transportation	72,180	72,180	60,734	(11,446)
Vocational education transportation	41,807	41,807	33,293	(8,514)
Services provided to other LEA's	-	-	77,051	77,051
Tuition:				
Secondary, other districts	2,828,256	2,828,256	2,875,524	47,268
Secondary, excess	325,000	325,000	204,652	(120,348)
Interest income	16,550	16,550	17,250	700
Miscellaneous revenues:				
Rentals	64,788	64,788	28,458	(36,330)
Miscellaneous	15,000	15,000	33,491	18,491
Project Search	232,218	232,218	91,523	(140,695)
High school completion act 176	-	-	29,614	29,614
Homeless transportation reimbursement	-	-	6,126	6,126
Transfers from other funds	-	-	40,000	40,000
Amounts Available for Appropriation	<u>\$ 47,259,663</u>	<u>\$ 47,259,663</u>	<u>\$ 46,253,408</u>	<u>\$ (1,006,255)</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, 2018

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Regular Instruction:				
Teacher Salaries	\$ 13,581,175	\$ 13,581,175	\$ 13,548,439	\$ 32,736
Aide Salaries	313,160	313,160	220,680	92,480
Substitute Salaries	475,225	475,225	522,806	(47,581)
Health Insurance	2,419,031	2,419,031	2,043,539	375,492
Payroll Taxes	1,076,318	1,076,318	1,065,991	10,327
Other Insurances	662,970	662,970	679,673	(16,703)
Tuition Reimbursement	102,000	102,000	77,253	24,747
Supplies	238,887	238,887	217,543	21,344
Books and Periodicals	87,088	87,088	48,274	38,814
Equipment	86,273	86,273	71,585	14,688
Homebound Tutoring	4,000	4,000	7,700	(3,700)
Other Expenditures	107,675	107,675	116,756	(9,081)
	<u>19,153,802</u>	<u>19,153,802</u>	<u>18,620,239</u>	<u>533,563</u>
Support Services:				
Guidance	1,570,836	1,570,836	1,536,143	34,693
Health Services	509,871	509,871	511,643	(1,772)
Staff Development	194,403	194,403	228,259	(33,856)
Director of Instruction	463,039	463,039	375,596	87,443
Educational Media Services	709,247	709,247	679,195	30,052
Audio-Visual Services	209,878	209,878	205,205	4,673
Technology Instruction	889,424	889,424	884,830	4,594
	<u>4,546,698</u>	<u>4,546,698</u>	<u>4,420,871</u>	<u>125,827</u>
Transportation:				
District Wide	1,214,815	1,214,815	1,247,901	(33,086)
Non-Resident	175,437	175,437	191,529	(16,092)
Field Trips	41,465	41,465	41,167	298
	<u>1,431,717</u>	<u>1,431,717</u>	<u>1,480,597</u>	<u>(48,880)</u>

SCHEDULE B (CONTINUED)

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Administration:				
School Directors	36,996	36,996	23,618	13,378
Legal Services	130,000	130,000	118,021	11,979
Human Resources	291,210	291,210	261,533	29,677
Central Administration	328,294	328,294	324,655	3,639
Building Management	2,245,820	2,245,820	2,295,204	(49,384)
Business Administration	634,912	634,912	624,440	10,472
	<u>3,667,232</u>	<u>3,667,232</u>	<u>3,647,471</u>	<u>19,761</u>
Operations and Maintenance:				
Maintenance of Plant	3,697,844	3,697,844	3,599,427	98,417
	<u>3,697,844</u>	<u>3,697,844</u>	<u>3,599,427</u>	<u>98,417</u>
Debt Service:				
Principal	265,000	265,000	265,000	-
Interest	103,469	103,469	103,469	-
	<u>368,469</u>	<u>368,469</u>	<u>368,469</u>	<u>-</u>
Vocational Education:				
Tuition	175,000	175,000	198,992	(23,992)
Transportation	18,238	18,238	26,795	(8,557)
	<u>193,238</u>	<u>193,238</u>	<u>225,787</u>	<u>(32,549)</u>
Contingency:				
Contingency - Programs	-	-	112,568	(112,568)
Contingency - Faculty	(64,000)	(64,000)	(3,499)	(60,501)
Contingency - Admin	10,000	10,000	-	10,000
	<u>(54,000)</u>	<u>(54,000)</u>	<u>109,069</u>	<u>(163,069)</u>

SCHEDULE B (CONTINUED)

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Expenditures	Variance Positive (Negative)
Other Support Services:				
Catamount Health	4,097	4,097	3,112	985
Workers Comp	9,037	9,037	10,483	(1,446)
Tech Center - State Requirement	160,000	160,000	182,273	(22,273)
District Network Services	1,136,338	1,136,338	1,031,272	105,066
Interest TAN	5,000	5,000	3,423	1,577
Co-Curricular	1,023,099	1,023,099	971,949	51,150
Co-Curricular transportation	58,877	58,877	65,642	(6,765)
Alumni/Development	77,856	77,856	70,672	7,184
Healthy Schools	30,283	30,283	29,010	1,273
Community Service	875,000	875,000	883,864	(8,864)
Exposure Bin	50,000	50,000	49,746	254
Act 176 High School completion	-	-	28,014	(28,014)
Overtime Salaries	15,000	15,000	24,266	(9,266)
	<u>3,444,587</u>	<u>3,444,587</u>	<u>3,353,726</u>	<u>90,861</u>
Special Education:				
Regular Instruction	9,259,328	9,259,328	8,972,176	287,152
Physical/Occupational Therapy	113,416	113,416	131,796	(18,380)
Psychological Services	108,042	108,042	92,795	15,247
Speech Services	831,288	831,288	772,400	58,888
Other support services	191,512	191,512	76,953	114,559
Administration	277,665	277,665	273,271	4,394
Ineligible	-	-	160,855	(160,855)
Transportation	217,241	217,241	284,508	(67,267)
	<u>10,998,492</u>	<u>10,998,492</u>	<u>10,764,754</u>	<u>233,738</u>
Transfers to Other Funds:				
Food Service	50,000	50,000	50,000	-
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u><u>\$ 47,498,079</u></u>	<u><u>\$ 47,498,079</u></u>	<u><u>\$ 46,640,410</u></u>	<u><u>\$ 857,669</u></u>

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

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Due from other governments	\$ 6,351	\$ -	\$ 6,351
Due from other funds	550,224	300,000	850,224
TOTAL ASSETS	<u>\$ 556,575</u>	<u>\$ 300,000</u>	<u>\$ 856,575</u>
LIABILITIES			
Accounts payable	\$ 31,998	\$ -	\$ 31,998
Accrued payroll	118,199	-	118,199
Due to other funds	10,524	-	10,524
TOTAL LIABILITIES	<u>160,721</u>	<u>-</u>	<u>160,721</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	40,976	-	40,976
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>40,976</u>	<u>-</u>	<u>40,976</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	270,637	-	270,637
Committed	52,588	300,000	352,588
Assigned	42,177	-	42,177
Unassigned	(10,524)	-	(10,524)
TOTAL FUND BALANCES	<u>354,878</u>	<u>300,000</u>	<u>654,878</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 556,575</u>	<u>\$ 300,000</u>	<u>\$ 856,575</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, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental revenues	\$ 1,709,708	\$ -	\$ 1,709,708
Other revenues	112,717	-	112,717
TOTAL REVENUES	<u>1,822,425</u>	<u>-</u>	<u>1,822,425</u>
EXPENDITURES	<u>1,807,061</u>	<u>-</u>	<u>1,807,061</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,364</u>	<u>-</u>	<u>15,364</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	15,364	-	15,364
FUND BALANCES - JULY 1	<u>339,514</u>	<u>300,000</u>	<u>639,514</u>
FUND BALANCES - JUNE 30	<u>\$ 354,878</u>	<u>\$ 300,000</u>	<u>\$ 654,878</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, 2018

	Title IIA	Project Search	Title IA	IDEA-B	50th Anniversary	Energy Comm-Solar
ASSETS						
Due from other governments	\$ 4,063	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	28,434	-	15,430	98,362	49	13,390
TOTAL ASSETS	<u>\$ 32,497</u>	<u>\$ -</u>	<u>\$ 15,430</u>	<u>\$ 98,362</u>	<u>\$ 49</u>	<u>\$ 13,390</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 15,430	\$ 4,728	\$ -	\$ -
Accrued payroll	29,539	-	-	66,170	-	-
Due to other funds	-	2,544	-	-	-	-
TOTAL LIABILITIES	<u>29,539</u>	<u>2,544</u>	<u>15,430</u>	<u>70,898</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	2,958	-	-	27,464	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,958</u>	<u>-</u>	<u>-</u>	<u>27,464</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	49	13,390
Unassigned	-	(2,544)	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>(2,544)</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>13,390</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)						
	<u>\$ 32,497</u>	<u>\$ -</u>	<u>\$ 15,430</u>	<u>\$ 98,362</u>	<u>\$ 49</u>	<u>\$ 13,390</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	VPA Service Learning and Leadership	Title III	Title IV Student Support	Trail Project	IBM Community Grants	VT Community Preschool Colaborative
ASSETS						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	150	9,209	8,689	-	500	-
TOTAL ASSETS	<u>\$ 150</u>	<u>\$ 9,209</u>	<u>\$ 8,689</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ 270	\$ 640	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-	-
Due to other funds	-	-	-	2,325	-	-
TOTAL LIABILITIES	<u>-</u>	<u>270</u>	<u>640</u>	<u>2,325</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	2,458	8,049	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>2,458</u>	<u>8,049</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	150	6,481	-	-	500	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(2,325)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>150</u>	<u>6,481</u>	<u>-</u>	<u>(2,325)</u>	<u>500</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)						
	<u>\$ 150</u>	<u>\$ 9,209</u>	<u>\$ 8,689</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Medicaid	Flexible Pathways	WARP	Fuel Up to Play	Diversity
ASSETS					
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	74,108	8,059	37,805	3,338	400
TOTAL ASSETS	<u>\$ 74,108</u>	<u>\$ 8,059</u>	<u>\$ 37,805</u>	<u>\$ 3,338</u>	<u>\$ 400</u>
LIABILITIES					
Accounts payable	\$ -	\$ 2,762	\$ 588	\$ -	\$ -
Accrued payroll	-	5,297	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>8,059</u>	<u>588</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	74,108	-	-	-	-
Committed	-	-	37,217	-	-
Assigned	-	-	-	3,338	400
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>74,108</u>	<u>-</u>	<u>37,217</u>	<u>3,338</u>	<u>400</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 74,108</u>	<u>\$ 8,059</u>	<u>\$ 37,805</u>	<u>\$ 3,338</u>	<u>\$ 400</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Best Grant	EPSDT	SBNN	IBM Community Grants	Bay & Paul Foundation
ASSETS					
Due from other governments	\$ 2,288	\$ -	\$ -	\$ -	\$ -
Due from other funds	5,013	53,745	-	4,921	1,076
TOTAL ASSETS	\$ 7,301	\$ 53,745	\$ -	\$ 4,921	\$ 1,076
LIABILITIES					
Accounts payable	\$ 7,301	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	2,130	-	-
TOTAL LIABILITIES	7,301	-	2,130	-	-
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	53,745	-	-	-
Committed	-	-	-	4,921	1,076
Assigned	-	-	-	-	-
Unassigned	-	-	(2,130)	-	-
TOTAL FUND BALANCES (DEFICITS)	-	53,745	(2,130)	4,921	1,076
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 7,301	\$ 53,745	\$ -	\$ 4,921	\$ 1,076

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	I-Team	Local Standards Board	Path	Mentoring	Rowland Foundation Fellowship	Total
ASSETS						
Due from other governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,351
Due from other funds	17,721	1,016	46,283	8,156	89,370	550,224
TOTAL ASSETS	<u>\$ 17,721</u>	<u>\$ 1,016</u>	<u>\$ 46,283</u>	<u>\$ 8,156</u>	<u>\$ 89,370</u>	<u>\$ 556,575</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 279	\$ -	31,998
Accrued payroll	16,224	969	-	-	-	118,199
Due to other funds	-	-	-	-	-	10,524
TOTAL LIABILITIES	<u>16,224</u>	<u>969</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>160,721</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	-	47	-	-	-	40,976
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,976</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	46,283	-	89,370	270,637
Committed	1,497	-	-	7,877	-	52,588
Assigned	-	-	-	-	-	42,177
Unassigned	-	-	-	-	-	(10,524)
TOTAL FUND BALANCES (DEFICITS)	<u>1,497</u>	<u>-</u>	<u>46,283</u>	<u>7,877</u>	<u>89,370</u>	<u>354,878</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 17,721</u>	<u>\$ 1,016</u>	<u>\$ 46,283</u>	<u>\$ 8,156</u>	<u>\$ 89,370</u>	<u>\$ 556,575</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 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Title IIA	Project Search	Title IA	IDEA-B	50th Anniversary	Energy Comm-Solar
REVENUES						
Intergovernmental revenues	\$ 120,234	\$ -	\$ 378,581	\$ 662,349	\$ -	\$ -
Other revenues	-	-	-	-	-	13,390
TOTAL REVENUES	<u>120,234</u>	<u>-</u>	<u>378,581</u>	<u>662,349</u>	<u>-</u>	<u>13,390</u>
EXPENDITURES	<u>120,234</u>	<u>-</u>	<u>378,581</u>	<u>662,349</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	-	-	13,390
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>(2,544)</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ -</u>	<u>\$ (2,544)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ 13,390</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, 2018

	VPA Service Learning and Leadership	Title III	Title IV Student Support	Trail Project	IBM Community Grants	VT Community Preschool Colaborative
REVENUES						
Intergovernmental revenues	\$ -	\$ 43,163	\$ 11,305	\$ -	\$ -	\$ -
Other revenues	-	-	-	-	-	20,000
TOTAL REVENUES	<u>-</u>	<u>43,163</u>	<u>11,305</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
EXPENDITURES	<u>-</u>	<u>54,500</u>	<u>11,305</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(11,337)	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	<u>150</u>	<u>17,818</u>	<u>-</u>	<u>(2,325)</u>	<u>500</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 150</u>	<u>\$ 6,481</u>	<u>\$ -</u>	<u>\$ (2,325)</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, 2018

	Medicaid	Flexible Pathways	WARP	Fuel Up to Play	Diversity
REVENUES					
Intergovernmental revenues	\$ 340,946	\$ 5,018	\$ -	\$ -	\$ -
Other revenues	-	-	6,377	-	400
TOTAL REVENUES	<u>340,946</u>	<u>5,018</u>	<u>6,377</u>	<u>-</u>	<u>400</u>
EXPENDITURES	<u>361,750</u>	<u>5,018</u>	<u>945</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(20,804)	-	5,432	-	400
FUND BALANCES (DEFICITS) - JULY 1	<u>94,912</u>	<u>-</u>	<u>31,785</u>	<u>3,338</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u><u>\$ 74,108</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,217</u></u>	<u><u>\$ 3,338</u></u>	<u><u>\$ 400</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, 2018

	Best Grant	EPSDT	SBNN	IBM Community Grants	Bay & Paul Foundation
REVENUES					
Intergovernmental revenues	\$ 11,563	\$ 22,737	\$ -	\$ -	\$ -
Other revenues	-	-	-	-	6,000
TOTAL REVENUES	<u>11,563</u>	<u>22,737</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
EXPENDITURES	<u>11,563</u>	<u>22,174</u>	<u>-</u>	<u>-</u>	<u>4,924</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	563	-	-	1,076
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>53,182</u>	<u>(2,130)</u>	<u>4,921</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 53,745</u></u>	<u><u>\$ (2,130)</u></u>	<u><u>\$ 4,921</u></u>	<u><u>\$ 1,076</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, 2018

	I-Team	Local Standards Board	Path	Mentoring	Rowland Foundation Fellowship	Total
REVENUES						
Intergovernmental revenues	\$ 102,023	\$ -	\$ -	\$ -	\$ -	\$ 1,709,708
Other revenues	-	-	-	12,000	50,000	112,717
TOTAL REVENUES	<u>102,023</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>50,000</u>	<u>1,822,425</u>
EXPENDITURES	<u>100,532</u>	<u>1,016</u>	<u>-</u>	<u>8,894</u>	<u>26,937</u>	<u>1,807,061</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	1,491	(1,016)	-	3,106	23,063	15,364
FUND BALANCES (DEFICITS) - JULY 1	<u>6</u>	<u>1,016</u>	<u>46,283</u>	<u>4,771</u>	<u>66,307</u>	<u>339,514</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 1,497</u>	<u>\$ -</u>	<u>\$ 46,283</u>	<u>\$ 7,877</u>	<u>\$ 89,370</u>	<u>\$ 354,878</u>

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

Capital Project Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds. The projects also include significant purchases of vehicles and equipment, as well as the servicing of leases and bonds associated with those purchases.

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2018

	<u>Capital Reserve</u>	<u>Total</u>
ASSETS		
Due from other funds	\$ 300,000	\$ 300,000
TOTAL ASSETS	<u>\$ 300,000</u>	<u>\$ 300,000</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Committed	300,000	300,000
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>300,000</u>	<u>300,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 300,000</u>	<u>\$ 300,000</u>

SOUTH BURLINGTON SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Capital Reserve</u>	<u>Total</u>
REVENUE	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-
FUND BALANCES - JULY 1	<u>300,000</u>	<u>300,000</u>
FUND BALANCES - JUNE 30	<u><u>\$ 300,000</u></u>	<u><u>\$ 300,000</u></u>

Enterprise Funds

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, 2018

	Cisco Lab	School Store	Totals
ASSETS			
Current assets:			
Due from other funds	\$ 1,125	\$ -	\$ 1,125
Total current assets	<u>1,125</u>	<u>-</u>	<u>1,125</u>
TOTAL ASSETS	<u>\$ 1,125</u>	<u>\$ -</u>	<u>\$ 1,125</u>
LIABILITIES			
Current liabilities:			
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 (deficit)	<u>1,125</u>	<u>(411)</u>	<u>714</u>
TOTAL NET POSITION	<u>1,125</u>	<u>(411)</u>	<u>714</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,125</u>	<u>\$ -</u>	<u>\$ 1,125</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, 2018

	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, 2018

	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>
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>

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, 2018

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Direct Services	\$ 2,474,962	\$ 29,197,238	\$ 3,790,263	\$ 661,588	\$ 36,124,051
Support Services	-	21,288	961,440	85,902	1,068,630
Athletics	-	1,056,586	73,401	90,701	1,220,688
Operations and Maintenance	23,700	750,187	461,743	-	1,235,630
Transportation	-	65,790	2,090,780	5,150	2,161,720
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	2,498,662	31,112,032	7,880,732	843,341	42,334,767
Less: Accumulated Depreciation	-	(24,214,635)	(4,755,357)	(321,111)	(29,291,103)
Net General Capital Assets	\$ 2,498,662	\$ 6,897,397	\$ 3,125,375	\$ 522,230	\$ 13,043,664

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, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
Direct Services	\$ 35,284,340	\$ 839,711	\$ -	\$ 36,124,051
Support Services	1,068,630	-	-	1,068,630
Athletics	1,220,688	-	-	1,220,688
Operations and Maintenance	1,036,872	198,758	-	1,235,630
Transportation	1,914,820	246,900	-	2,161,720
Business Office	5,121	-	-	5,121
FHTMS	50,500	-	-	50,500
Food Service	402,109	-	-	402,109
Superintendent Office	27,203	-	-	27,203
Special Education	39,115	-	-	39,115
Total General Capital Assets	41,049,398	1,285,369	-	42,334,767
Less: Accumulated Depreciation	<u>(27,782,682)</u>	<u>(1,508,421)</u>	-	<u>(29,291,103)</u>
Net General Capital Assets	<u>\$ 13,266,716</u>	<u>\$ (223,052)</u>	<u>\$ -</u>	<u>\$ 13,043,664</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, 2018

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Passed through State of Vermont - Agency of Education and Cultural Services				
Child Nutrition Cluster:				
School Lunch Program	10.555	4450	\$ 231,743	\$ -
School Breakfast Program	10.556	4452	63,201	-
Commodity Supplemental Food Program	10.565	N/A	62,926	-
Total Department of Agriculture			<u>357,870</u>	<u>-</u>
U.S. Department of Education				
Passed through State of Vermont - Agency of Education and Cultural Services:				
Local Entitlement (IDEAB) Cluster:				
Local Entitlement - Regular Grant	84.027	4226T1911801	638,376	-
Local Entitlement - Proportionate Share	84.027	4226T1911802	23,973	-
IDEA - B - Part B Section 619	84.173	4228T1911801	11,789	-
Total Local Entitlement(IDEAB) Cluster			<u>674,138</u>	<u>-</u>
Title IA - Educationally Deprived	84.010	4250T1911801	378,581	-
Title III	84.365A	4375T1911801	54,500	-
Title IIA - Teaching Quality	84.367	4651T1911801	120,234	-
Title IV - Student Support	84.424	4570T1911801	11,305	-
Total Department of Education			<u>1,238,758</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,596,628</u>	<u>\$ -</u>

SOUTH BURLINGTON SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS JUNE 30, 2018

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.

3. Noncash Awards

The South Burlington School District reports U.S. Department of Agriculture (USDA) Foods consumed on the Schedule at the fair value [or entitlement value]. The State of Vermont allocated USDA Foods to the respective program(s) that benefitted from the use of those USDA Foods.



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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, 2018, 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 March 25, 2019.

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
March 25, 2019



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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, 2018. 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, 2018.

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
March 25, 2019

SOUTH BURLINGTON SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2018

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: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None