

Audited Financial Statements

City of South Burlington, Vermont

June 30, 2016



Proven Expertise and Integrity

CITY OF SOUTH BURLINGTON, VERMONT

CONTENTS

JUNE 30, 2016

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 12
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	13 - 14
STATEMENT B - STATEMENT OF ACTIVITIES	15 - 16
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET – GOVERNMENTAL FUNDS	17
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	19
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT G - BALANCE SHEET – PROPRIETARY FUNDS	21 - 22
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	23 - 24
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	25 - 26
STATEMENT J - STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	27
STATEMENT K - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS	28

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	72
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND ACTUAL – GENERAL FUND	73
SCHEDULE 2 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND ACTUAL – GENERAL FUND REVENUES	74
SCHEDULE 3 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	75
SCHEDULE 4 - SCHEDULE OF CONTRIBUTIONS	76
SCHEDULE 5 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – EMPLOYEES’ PENSION PLAN	77
SCHEDULE 6 - SCHEDULE OF CONTRIBUTIONS – EMPLOYEES’ PENSION PLAN	78
SCHEDULE 7 - SCHEDULE OF INVESTMENT RETURNS	79
SCHEDULE 8 - SCHEDULE OF FUNDING PROGRESS – EMPLOYEES PENSION PLAN	80
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	81

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	82
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND	83 - 85
SCHEDULE B - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	86
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	87
SPECIAL REVENUE FUNDS DESCRIPTION	88

SCHEDULE D - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	89 - 95
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	96 - 102
CAPITAL PROJECTS FUNDS DESCRIPTION	103
SCHEDULE F - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS	104 - 106
SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS	107 - 109
PERMANENT FUNDS DESCRIPTION	110
SCHEDULE H - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	111 - 112
SCHEDULE I - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	113 - 114
GENERAL CAPITAL ASSETS DESCRIPTION	115
SCHEDULE J - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	116
SCHEDULE K - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	117

FEDERAL COMPLIANCE

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 <i>GOVERNMENT AUDITING STANDARDS</i>	118 - 119
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INDEPENDENT AUDITORS' REPORT

City Council
City of South Burlington
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 City of South Burlington, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 principle 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

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to 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 City of South Burlington, Vermont as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 12 and 73 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Burlington, Vermont's basic financial statements. The Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules 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 December 14, 2016, on our consideration of the City of South Burlington Vermont'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* considering the City of South Burlington's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
December 14, 2016

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

(UNAUDITED)

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

Financial Statement Overview

The City of South Burlington'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 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 City'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 City'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 City activities. The types of activities presented for the City of South Burlington are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the City's basic services are reported in governmental activities, which include general government, public safety, public works, education, social services, recreation and culture and other unclassified.
- *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 the City of South Burlington include the recreation program, water department, water pollution, and storm water utilities.

Fund Financial Statements

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

Governmental funds: Most of the basic services provided by the City 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 City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

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 City of South Burlington presents three columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The City's major governmental funds are the general fund and Exit 14B Lane Expansion 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 City 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 City of South Burlington maintains four proprietary funds: the recreation programs, water department, water pollution and storm water utilities. 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 the City of South Burlington. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting. These funds for the City are for the pension

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 Fiduciary Fund Financial Statements.

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 and General Fund Revenues, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, a Schedule of Changes in Net Pension Liability and Related Ratios – Employees' Pension Plan, a Schedule of Contributions – Employees' Pension Plan, a Schedule of Investment Returns and a Schedule of Funding Progress – Employees' Pension Plan.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the City's governmental activities. The City's total net position for governmental funds is \$27.06 million compared to \$24.49 million in the prior year, an increase of \$2,562,088. For the business-type activities total net position is \$17.13 million as compared to \$16.62 million in the prior year, an increase of \$508,961.

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 – is \$3.25 million at the end of this year for governmental activities and \$6.33 million for the business-type activities.

Table 1
City of South Burlington, Vermont
Net Position
June 30,

	<u>2016</u>		<u>2015 (Restated)</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:				
Current Assets	\$ 9,494,914	\$ 7,343,721	\$ 7,985,131	\$ 7,610,660
Capital Assets	54,462,349	12,741,328	54,227,664	12,373,076
Total Assets	<u>63,957,263</u>	<u>20,085,049</u>	<u>62,212,795</u>	<u>19,983,736</u>
Deferred Outflows of Resources:				
Deferred Amount on Pensions	4,660,853	-	1,859,980	-
Total Deferred Inflows of Resources	<u>4,660,853</u>	<u>-</u>	<u>1,859,980</u>	<u>-</u>
Liabilities:				
Current Liabilities	3,947,344	1,374,218	3,772,099	1,399,141
Long-term Debt Outstanding	37,376,028	1,580,915	35,617,799	1,963,640
Total Liabilities	<u>41,323,372</u>	<u>2,955,133</u>	<u>39,389,898</u>	<u>3,362,781</u>
Deferred Inflows of Resources:				
Deferred Amount on Pensions	79,715	-	188,000	-
Deferred Revenue	158,064	-	-	-
Total Deferred Inflows of Resources	<u>237,779</u>	<u>-</u>	<u>188,000</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	22,442,909	10,799,002	20,417,861	10,069,165
Restricted for: Special Revenue Funds	645,826	-	670,431	-
Permanent Funds	460,999	-	487,411	-
Capital Projects Funds	260,689	-	260,689	-
Unrestricted	<u>3,246,542</u>	<u>6,330,914</u>	<u>2,658,485</u>	<u>6,551,790</u>
Total Net Position	<u>\$ 27,056,965</u>	<u>\$ 17,129,916</u>	<u>\$ 24,494,877</u>	<u>\$ 16,620,955</u>

Table 2
City of South Burlington, Vermont
Change in Net Position
For the Years Ended June 30,

	2016		2015	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 4,360,424	\$ 8,981,357	\$ 4,533,501	\$ 9,141,519
Operating grants and contributions	714,130	44,049	2,941,712	49,096
<i>General Revenues:</i>				
Taxes	52,851,994	-	51,408,534	-
Grants and contributions not restricted to specific programs	-	-	-	-
Investment income	-	1,180	-	1,106
Miscellaneous	95,880	157,831	120,252	253,768
Total Revenues	58,022,428	9,184,417	59,003,999	9,445,489
Expenses				
General government	7,350,676	-	5,649,712	-
Public safety	6,976,555	-	7,531,763	-
Public works	2,041,080	-	2,676,346	-
Social services	679,315	-	645,430	-
Recreation and culture	1,232,660	-	1,210,062	-
Program expenditures	777,549	-	987,996	-
Capital outlay	4,298	-	-	-
Interest expense	708,798	-	715,500	-
Unallocated depreciation	22,964	-	22,964	-
Education	35,658,945	-	35,226,845	-
Enterprise funds	-	8,682,956	-	6,757,772
Total Expenses	55,452,840	8,682,956	54,666,618	6,757,772
Total Transfers	(7,500)	7,500	(1,476,327)	1,476,327
Change in Net Position	2,562,088	508,961	2,861,054	4,164,044
Net Position - July 1, Restated	24,494,877	16,620,955	21,633,823	12,456,911
Net Position - June 30	\$ 27,056,965	\$ 17,129,916	\$ 24,494,877	\$ 16,620,955

Revenues and Expenses

Revenues for the City's governmental activities decreased by 1.66%, while total expenses increased by 1.44%. Operating grants and contributions decreased while property taxes increased.

The revenues for the proprietary fund were consistent with the prior year while expenses increased by 28.49%. The proprietary fund has four enterprise funds that all have a positive net position.

The proprietary funds had a change in net position for the current year of \$508,961.

Financial Analysis of the City's Fund Statements

Governmental funds: The financial reporting focus of the City'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 City'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
City of South Burlington, Vermont
Fund Balances - Governmental Funds
June 30,

	2016	2015
Major Funds:		
General Fund:		
Nonspendable	\$ 847,474	\$ 621,005
Unassigned	471,302	750,986
Exit 14B Lane Expansion Fund:		
Unassigned	1,737	(10,731)
Subtotal Major Funds	1,320,513	1,361,260
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	645,826	670,431
Committed	2,691,577	2,229,524
Assigned	256,381	189,906
Unassigned	(314,627)	(382,736)
Capital Projects Funds:		
Restricted	260,689	260,689
Committed	2,145,566	1,368,751
Unassigned	(12,659)	(12,659)
Permanent Funds:		
Restricted	460,999	487,411
Committed	13,932	12,954
Unassigned	(1,684)	(128)
Subtotal Nonmajor Funds	6,146,000	4,824,143
Total Governmental Funds	\$ 7,466,513	\$ 6,185,403

The general fund total fund balance decreased by \$53,215 from the prior fiscal year. The Exit 14B Lane Expansion fund total fund balance increased by \$12,468 and the nonmajor fund total fund balances increased by \$1,321,857 from the prior fiscal year.

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

Budgetary Highlights

There were no differences between the original and final budget for the general fund.

The general fund budgeted revenues exceeded the actual amounts by \$374,504. This was mainly a result of property taxes and charges for services that were less than the budget.

The general fund actual expenditures were less than the budget by \$321,289. All expenditures were under budget with the exception of general government, social services and recreation and culture.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the City increased by \$602,937 from the prior fiscal year. This increase was a result of current year capital additions of \$2,649,387 less depreciation expense of \$2,046,450. Refer to Note 4 of Notes to Financial Statements for more detailed information.

Table 4
City of South Burlington, Vermont
Capital Assets (Net of Depreciation)
June 30,

	2016	2015
Land	\$ 7,211,163	\$ 6,991,163
Construction in progress	29,104,054	28,894,079
Buildings, building improvements and land improvements	10,384,492	11,096,010
Machinery, equipment and vehicles	7,186,308	6,790,215
Infrastructure	13,317,660	12,829,273
Total	\$ 67,203,677	\$ 66,600,740

Debt

At June 30, 2016, the City had \$26.69 million in bonds outstanding versus \$28.48 million last year. Other obligations include notes payable, accrued benefit time and net pension liability. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Hubbard, Assistant City Manager at 575 Dorset Street, South Burlington, Vermont 05403-0808. Tom can also be reached by phone at 802-846-4107 or by email tom@sburl.com.

CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,728,283	\$ 4,198,242	\$ 10,926,525
Investments	392,418	-	392,418
Taxes receivable (net of allowance for uncollectibles)	270,057	-	270,057
Due from water - billed	-	4,293	4,293
Due from water - unbilled	-	1,174,894	1,174,894
Other receivables	1,801,600	1,357,080	3,158,680
Due from agencies	75	-	75
Prepaid items	827,908	-	827,908
Inventory	19,566	64,219	83,785
Internal balances	(544,993)	544,993	-
Total current assets	<u>9,494,914</u>	<u>7,343,721</u>	<u>16,838,635</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	35,474,389	840,828	36,315,217
Depreciable assets, net of accumulated depreciation	18,987,960	11,900,500	30,888,460
Total noncurrent assets	<u>54,462,349</u>	<u>12,741,328</u>	<u>67,203,677</u>
TOTAL ASSETS	<u>63,957,263</u>	<u>20,085,049</u>	<u>84,042,312</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on pensions	4,660,853	-	4,660,853
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,660,853</u>	<u>-</u>	<u>4,660,853</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 68,618,116</u>	<u>\$ 20,085,049</u>	<u>\$ 88,703,165</u>

STATEMENT A (CONTINUED)
CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 971,875	\$ 961,520	\$ 1,933,395
Accrued expenses	650,059	-	650,059
Due to taxpayers	98,720	-	98,720
Due to agencies	5,490	-	5,490
Due to other governments	-	51,287	51,287
Post retirement benefits	246,696	-	246,696
Current portion of long-term obligations	1,974,504	361,411	2,335,915
Total current liabilities	<u>3,947,344</u>	<u>1,374,218</u>	<u>5,321,562</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	23,305,736	1,580,915	24,886,651
Notes payable	6,739,200	-	6,739,200
Accrued compensated absences	682,878	-	682,878
Net pension liability	6,648,214	-	6,648,214
Total noncurrent liabilities	<u>37,376,028</u>	<u>1,580,915</u>	<u>38,956,943</u>
TOTAL LIABILITIES	<u>41,323,372</u>	<u>2,955,133</u>	<u>44,278,505</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on pensions	79,715	-	79,715
Deferred revenue	158,064	-	158,064
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>237,779</u>	<u>-</u>	<u>237,779</u>
NET POSITION			
Net Investment in capital assets	22,442,909	10,799,002	33,241,911
Restricted for: Special Revenue Funds	645,826	-	645,826
Permanent Funds	460,999	-	460,999
Capital Projects Funds	260,689	-	260,689
Unrestricted	3,246,542	6,330,914	9,577,456
TOTAL NET POSITION	<u>27,056,965</u>	<u>17,129,916</u>	<u>44,186,881</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 68,618,116</u>	<u>\$ 20,085,049</u>	<u>\$ 88,703,165</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 7,350,676	\$ 1,525,039	\$ -	\$ -	\$ (5,825,637)	\$ -	\$ (5,825,637)
Public safety	6,976,555	783,648	-	-	(6,192,907)	-	(6,192,907)
Public works	2,041,080	1,100,809	-	-	(940,271)	-	(940,271)
Social services	679,315	52,963	-	-	(626,352)	-	(626,352)
Recreation and culture	1,232,660	136,708	-	-	(1,095,952)	-	(1,095,952)
Education	35,658,945	-	-	-	(35,658,945)	-	(35,658,945)
Program expenditures	777,549	761,257	474,728	-	458,436	-	458,436
Capital outlay	4,298	-	239,402	-	235,104	-	235,104
Interest on long-term debt	708,798	-	-	-	(708,798)	-	(708,798)
Unallocated depreciation	22,964	-	-	-	(22,964)	-	(22,964)
Total governmental activities	<u>55,452,840</u>	<u>4,360,424</u>	<u>714,130</u>	<u>-</u>	<u>(50,378,286)</u>	<u>-</u>	<u>(50,378,286)</u>
Business-type activities:							
Recreation programs	210,929	120,422	-	-	-	(90,507)	(90,507)
Water department	2,347,569	2,402,064	-	-	-	54,495	54,495
Water pollution	4,680,034	4,614,037	-	-	-	(65,997)	(65,997)
Storm water utilities	1,444,424	1,844,834	44,049	-	-	444,459	444,459
Total business-type activities	<u>8,682,956</u>	<u>8,981,357</u>	<u>44,049</u>	<u>-</u>	<u>-</u>	<u>342,450</u>	<u>342,450</u>
Total government	<u>\$ 64,135,796</u>	<u>\$ 13,341,781</u>	<u>\$ 758,179</u>	<u>\$ -</u>	<u>(50,378,286)</u>	<u>342,450</u>	<u>(50,035,836)</u>

STATEMENT B (CONTINUED)
CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	(50,378,286)	342,450	(50,035,836)
General revenues:			
Property taxes, levied for general purposes			
Education	35,658,945	-	35,658,945
Municipal	17,193,049	-	17,193,049
Investment income	-	1,180	1,180
Miscellaneous	95,880	157,831	253,711
Transfers	(7,500)	7,500	-
Total general revenues and transfers	52,940,374	166,511	17,447,940
Change in net position	2,562,088	508,961	3,071,049
NET POSITION - JULY 1, RESTATED	24,494,877	16,620,955	41,115,832
NET POSITION - JUNE 30	\$ 27,056,965	\$ 17,129,916	\$ 44,186,881

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

CITY OF SOUTH BURLINGTON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	318 Exit 14B Lane Expansion	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,376,314	\$ -	\$ 2,351,969	\$ 6,728,283
Investments	-	-	392,418	392,418
Accounts receivable (net of allowance for uncollectibles):				
Taxes/liens	270,057	-	-	270,057
Other	1,768,447	-	33,153	1,801,600
Due from agencies	-	-	75	75
Inventory	19,566	-	-	19,566
Prepaid items	827,908	-	-	827,908
Due from other funds	1,187,982	1,737	4,262,017	5,451,736
TOTAL ASSETS	\$ 8,450,274	\$ 1,737	\$ 7,039,632	\$ 15,491,643
LIABILITIES				
Accounts payable	\$ 971,875	\$ -	\$ -	\$ 971,875
Accrued payroll	223,680	-	-	223,680
Accrued expenses	426,379	-	-	426,379
Due to other funds	5,108,587	-	888,142	5,996,729
Due to taxpayers	98,720	-	-	98,720
Due to agencies	-	-	5,490	5,490
TOTAL LIABILITIES	6,829,241	-	893,632	7,722,873
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenues	144,193	-	-	144,193
Deferred revenue	158,064	-	-	158,064
TOTAL DEFERRED INFLOWS OF RESOURCES	302,257	-	-	302,257
FUND BALANCES				
Nonspendable	847,474	-	-	847,474
Restricted	-	-	1,367,514	1,367,514
Committed	-	-	4,851,075	4,851,075
Assigned	-	-	256,381	256,381
Unassigned	471,302	1,737	(328,970)	144,069
TOTAL FUND BALANCES	1,318,776	1,737	6,146,000	7,466,513
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,450,274	\$ 1,737	\$ 7,039,632	\$ 15,491,643

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	Total Governmental Funds
Total Fund Balances	\$ 7,466,513
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	54,462,349
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	144,193
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	4,660,853
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(24,747,729)
Notes payable	(7,271,711)
Accrued compensated absences	(682,878)
Post retirement benefits	(246,696)
Net pension liability	(6,648,214)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	(79,715)
Net position of governmental activities	\$ 27,056,965

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

STATEMENT E

CITY OF SOUTH BURLINGTON, VERMONT

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

	General Fund	318 Exit 14B Lane Expansion	Other Governmental Funds	Totals Governmental Funds
REVENUES				
General tax revenue - municipal and education	\$ 52,793,683	\$ -	\$ -	\$ 52,793,683
Intergovernmental revenue	-	239,402	474,728	714,130
Charges for services	3,599,167	-	761,257	4,360,424
Other revenue	-	-	95,880	95,880
TOTAL REVENUES	56,392,850	239,402	1,331,865	57,964,117
EXPENDITURES				
Current:				
General government	6,545,284	-	-	6,545,284
Public safety	7,817,311	-	157	7,817,468
Public works	2,017,658	-	-	2,017,658
Social services	675,705	-	-	675,705
Recreation and culture	1,190,408	-	-	1,190,408
Education	35,658,945	-	-	35,658,945
Program expenditures	-	-	791,174	791,174
Debt service	1,505,360	-	-	1,505,360
Capital outlay	-	226,934	246,571	473,505
TOTAL EXPENDITURES	55,410,671	226,934	1,037,902	56,675,507
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	982,179	12,468	293,963	1,288,610
OTHER FINANCING SOURCES (USES)				
Transfers in	44,735	-	1,258,489	1,303,224
Transfers (out)	(1,080,129)	-	(230,595)	(1,310,724)
TOTAL OTHER FINANCING SOURCES (USES)	(1,035,394)	-	1,027,894	(7,500)
NET CHANGE IN FUND BALANCES	(53,215)	12,468	1,321,857	1,281,110
FUND BALANCES - JULY 1	1,371,991	(10,731)	4,824,143	6,185,403
FUND BALANCES - JUNE 30	\$ 1,318,776	\$ 1,737	\$ 6,146,000	\$ 7,466,513

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

CITY OF SOUTH BURLINGTON, VERMONT

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 1,281,110</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	1,420,498
Depreciation expense	<u>(1,185,813)</u>
	<u>234,685</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>58,311</u>
	<u>58,311</u>
Deferred outflows of resources is a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>2,800,873</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>1,790,363</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	(5,342)
Net pension liability	<u>(3,706,197)</u>
	<u>(3,711,539)</u>
Deferred inflows of resources are a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>108,285</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 2,562,088</u></u>

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

CITY OF SOUTH BURLINGTON, VERMONT

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds				Totals
	Recreation Programs	Water Department	Water Pollution	Storm Water Utilities	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,006,280	\$ 1,826,572	\$ 1,365,390	\$ 4,198,242
Accounts receivable (net of allowance for uncollectibles)	-	806,600	547,480	3,000	1,357,080
Due from water - billed	-	4,293	-	-	4,293
Due from water - unbilled	-	377,059	554,240	243,595	1,174,894
Inventory	-	64,219	-	-	64,219
Due from other funds	88,402	-	756,431	-	844,833
Total current assets	88,402	2,258,451	3,684,723	1,611,985	7,643,561
Noncurrent assets:					
Net capital assets	-	3,524,505	4,660,667	4,556,156	12,741,328
Total noncurrent assets	-	3,524,505	4,660,667	4,556,156	12,741,328
TOTAL ASSETS	\$ 88,402	\$ 5,782,956	\$ 8,345,390	\$ 6,168,141	\$ 20,384,889

CITY OF SOUTH BURLINGTON, VERMONT

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds				Totals
	Recreation Programs	Water Department	Water Pollution	Storm Water Utilities	
LIABILITIES AND NET POSITION					
Current liabilities:					
Accounts payable	\$ -	\$ 956,109	\$ -	\$ 5,411	\$ 961,520
Accrued payroll	-	-	51,287	-	51,287
Due to other funds	-	-	-	299,840	299,840
Current portion of long-term debt	-	116,411	245,000	-	361,411
Total current liabilities	-	1,072,520	296,287	305,251	1,674,058
Noncurrent liabilities:					
Bonds payable	-	845,915	735,000	-	1,580,915
Total noncurrent liabilities	-	845,915	735,000	-	1,580,915
TOTAL LIABILITIES	-	1,918,435	1,031,287	305,251	3,254,973
NET POSITION					
Net investment in capital assets	-	2,562,179	3,680,667	4,556,156	10,799,002
Restricted	-	-	-	-	-
Unrestricted	88,402	1,302,342	3,633,436	1,306,734	6,330,914
TOTAL NET POSITION	88,402	3,864,521	7,314,103	5,862,890	17,129,916
TOTAL LIABILITIES AND NET POSITION	\$ 88,402	\$ 5,782,956	\$ 8,345,390	\$ 6,168,141	\$ 20,384,889

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	Enterprise Funds				Totals
	Recreation Programs	Water Department	Water Pollution	Storm Water Utilities	
OPERATING REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 44,049	\$ 44,049
Water sales	-	2,180,182	-	-	2,180,182
Charges for services	120,422	221,882	4,614,037	1,844,834	6,801,175
Other	-	131,086	26,677	68	157,831
TOTAL OPERATING REVENUES	120,422	2,533,150	4,640,714	1,888,951	9,183,237
OPERATING EXPENSES					
Salaries and benefits	146,076	421,934	1,068,934	524,748	2,161,692
Professional and contracted services	9,441	127,133	263,699	300,495	700,768
Supplies, materials and fuel	6,635	69,160	414,270	15,328	505,393
Water purchases	-	1,277,119	-	-	1,277,119
Capital outlay	-	109,789	1,331,047	241,250	1,682,086
Utilities	2,395	-	361,158	3,509	367,062
Depreciation	-	183,678	491,837	185,122	860,637
City admin fee	32,074	49,965	150,336	134,392	366,767
Liability insurance	-	5,794	65,725	18,945	90,464
Miscellaneous	14,308	59,423	484,733	20,635	579,099
TOTAL OPERATING EXPENSES	210,929	2,303,995	4,631,739	1,444,424	8,591,087
OPERATING INCOME (LOSS)	(90,507)	229,155	8,975	444,527	592,150

CITY OF SOUTH BURLINGTON, VERMONT

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

	Enterprise Funds				Totals
	Recreation Programs	Water Department	Water Pollution	Storm Water Utilities	
NON-OPERATING INCOME (EXPENSE)					
Transfers in	-	-	-	7,500	7,500
Transfers (out)	-	-	-	-	-
Interest income	-	1,180	-	-	1,180
Interest expense	-	(43,574)	(48,295)	-	(91,869)
TOTAL NON-OPERATING INCOME (EXPENSE)	-	(42,394)	(48,295)	7,500	(83,189)
CHANGE IN NET POSITION	(90,507)	186,761	(39,320)	452,027	508,961
NET POSITION - JULY 1	178,909	3,677,760	7,353,423	5,410,863	16,620,955
NET POSITION - JUNE 30	\$ 88,402	\$ 3,864,521	\$ 7,314,103	\$ 5,862,890	\$ 17,129,916

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	Enterprise Funds				Totals
	Recreation Programs	Water Department	Water Pollution	Storm Water Utilities	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 210,929	\$ 2,398,512	\$ 5,094,419	\$ 1,844,834	\$ 9,548,694
Intergovernmental receipts	-	-	-	44,049	44,049
Other receipts	-	131,086	26,677	68	157,831
Payments to employees	(146,076)	(421,934)	(1,068,934)	(524,748)	(2,161,692)
Payments to suppliers	(64,853)	(1,744,446)	(3,070,968)	(449,320)	(5,329,587)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	363,218	981,194	914,883	2,259,295
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund transfers	-	-	-	7,500	7,500
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	-	7,500	7,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest income	-	1,180	-	-	1,180
(Purchase) sale of fixed assets	-	(23,093)	(275,678)	(930,292)	(1,229,063)
Interest payments on bond payable	-	(43,574)	(48,295)	-	(91,869)
Principal payments on bond/note payable	-	(116,411)	(245,000)	-	(361,411)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(181,898)	(568,973)	(930,292)	(1,681,163)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	181,320	412,221	(7,909)	585,632
CASH AND CASH EQUIVALENTS - JULY 1	-	824,960	1,414,351	1,373,299	3,612,610
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ 1,006,280	\$ 1,826,572	\$ 1,365,390	\$ 4,198,242

CITY OF SOUTH BURLINGTON, VERMONT

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

	Enterprise Funds				Totals
	Recreation Programs	Water Department	Water Pollution	Storm Water Utilities	
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ 1,006,280	\$ 1,826,572	\$ 1,365,390	\$ 4,198,242
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (90,507)	\$ 229,155	\$ 8,975	\$ 444,527	\$ 592,150
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	183,678	491,837	185,122	860,637
Changes in operating assets and liabilities:					
(Increase) decrease in due from water - billed	-	742,376	-	-	742,376
(Increase) decrease in accounts receivable	-	(746,600)	-	-	(746,600)
(Increase) decrease in prepaid expenses	-	672	-	-	672
(Increase) decrease in due from other funds	90,507	-	480,382	-	570,889
(Decrease) increase in accounts payable	-	(46,063)	-	-	(46,063)
(Decrease) increase in due to other funds	-	-	-	285,234	285,234
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ 363,218	\$ 981,194	\$ 914,883	\$ 2,259,295

CITY OF SOUTH BURLINGTON, VERMONT

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

	Employee Pension Trust
ASSETS	
Cash:	
Money market funds	\$ 19,617
Investments, at fair value:	
U.S. Stocks	11,649,548
International Stocks	4,930,958
Fixed income	10,281,279
TOTAL ASSETS	<u>\$ 26,881,402</u>
NET POSITION	
Restricted - held in trust for pension benefits	\$ 26,881,402
TOTAL NET POSITION	<u>\$ 26,881,402</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	Employee Pension Trust
ADDITIONS	
Contributions:	
Employer	\$ 765,860
Employee	302,165
Total contributions	<u>1,068,025</u>
Investment earnings:	
Income earned	624,703
Net increase (decrease) in fair value of investments	<u>(869,950)</u>
Total investment earnings, net	<u>(245,247)</u>
Total additions	<u>822,778</u>
DEDUCTIONS	
Benefit payments	1,328,091
Transfer to other account	1,400,000
Administrative expenses	<u>135,173</u>
Total deductions	<u>2,863,264</u>
CHANGE IN NET POSITION	(2,040,486)
NET POSITION - JULY 1	<u>28,921,888</u>
NET POSITION - JUNE 30	<u><u>\$ 26,881,402</u></u>

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of South Burlington was incorporated under the laws of the State of Vermont. The City operates under City Council-Manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, and recreation.

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

Implementation of New Accounting Standards

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

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

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

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

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

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

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City’s recreation program, water department, water pollution, and storm water utilities are categorized as business-type activities. All other activities of the City are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type 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 City’s net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City does not allocate indirect costs. All costs are charged directly to the corresponding department.

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the City 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 City:

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 City:

Major funds:

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. The Exit 14B Expansion Lane Fund is used to account for the financial resources to be used for the construction of the Exit 14B Lane Expansion.

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 or equipment.
- e. Permanent Funds are used to account for assets held by the City in trust for specific purposes.

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 City:

- 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 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 City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust). Since by definition these assets are being held for the benefit of a

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

third-party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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

Basis of Accounting

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

1. Accrual

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

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 City'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.

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Early in the second half of the year the City prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the voters.
4. The City did not adopt budgets for Special Revenue Funds.

Deposits and Investments

The City'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 City's policy to value investments at fair value. None of the City'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 a cash equivalent. The City 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

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures when used. In the general fund, inventory consists of diesel fuel and gasoline. The enterprise fund inventory consists of water department supplies on hand at the end of the year. The cost value is determined using the first-in, first-out (FIFO) method.

Prepaid Items

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

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

Capital Assets

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

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

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

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

Long-term Obligations

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds 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 City's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the City's liability for compensated absences is \$682,878.

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) and the Vermont Municipal Employees' Retirement System (VMERS) Plans and additions to/deductions from the VSTRS and VMERS Plans' fiduciary net position have been determined on the same basis as they are reported by the VSTRS and VMERS 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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City 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 City. The inhabitants of the City through City meetings are the highest level of decision-making authority of the City. Commitments may be established, modified, or rescinded only through a City 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 City Council.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 City currently has 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. The City has one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. The City also has deferred revenue which arises under both the modified accrual basis and accrual basis. The City has deferred inflows of resources, which arise only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the statement of net position.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The City's property tax for the current year was levied July 2, 2015 on the assessed value listed as of April 1, 2015, for all real and personal property located in the City. Taxes were due on August 18, 2015, November 16, 2015 and March 15, 2016. Interest on unpaid taxes commenced on August 19, 2015, November 17, 2015 and March 16, 2016. Taxes unpaid after the due date are considered delinquent. A 8% penalty is assessed and interest is charged at 1%. The penalty is charged once while interest accrues on the 15th of each month.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

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/Non-Operating 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 City does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the City'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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's policies, which follow state statutes, authorize the City 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 City funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City will not be able to recover its deposits. The City does not have a policy covering custodial credit risk for deposits. However, the City maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. At June 30, 2016, the City's cash balance of \$10,946,142 was comprised of bank deposits and cash equivalents totaling \$10,882,374. These bank deposits were comprised of \$250,000 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$10,632,374 that was in excess of federal depository insurance, but collateralized with securities held by financial institutions in the City's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 5,712,185
Sweep accounts	4,510,169
Money market accounts	660,020
	<u>\$ 10,882,374</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the City does not have a policy for custodial credit risk for investments; however, the City seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. The City's investments were covered up to \$892,418 by Securities Investor Protection Corporation (SIPC). The remaining investments of \$26,361,785 were uncollateralized and uninsured.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2016, the Town had the following investments and maturities:

Credit risk – Statutes for the State of Vermont authorize the City 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 City 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 City 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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Receivables</u> <u>(Due from)</u>	<u>Payables</u> <u>(Due to)</u>
General fund	\$ 1,187,982	\$ 5,108,587
Airport parkway expansion fund	1,737	-
Nonmajor special revenue funds	2,006,780	873,573
Nonmajor capital project funds	2,169,907	12,659
Nonmajor permanent funds	85,330	1,910
Enterprise funds	844,833	299,840
	<u>\$ 6,296,569</u>	<u>\$ 6,296,569</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/15	Additions	Transfers/ Disposals	Balance, 6/30/16
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 6,473,163	\$ 220,000	\$ -	\$ 6,693,163
Construction in progress	28,571,251	209,975	-	28,781,226
	<u>35,044,414</u>	<u>429,975</u>	<u>-</u>	<u>35,474,389</u>
Depreciated assets:				
Land Improvements	71,703	44,484	-	116,187
Buildings	16,206,462	-	-	16,206,462
Building improvements	967,313	-	-	967,313
Machinery & equipment	2,272,298	288,154	-	2,560,452
Vehicles	5,260,479	100,714	-	5,361,193
Infrastructure	42,312,325	557,171	-	42,869,496
	67,090,580	990,523	-	68,081,103
Less: accumulated depreciation	(47,907,330)	(1,185,813)	-	(49,093,143)
	<u>19,183,250</u>	<u>(195,290)</u>	<u>-</u>	<u>18,987,960</u>
Net capital assets	<u>\$ 54,227,664</u>	<u>\$ 234,685</u>	<u>\$ -</u>	<u>\$ 54,462,349</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 518,000	\$ -	\$ -	\$ 518,000
Construction in progress	322,828	-	-	322,828
	<u>840,828</u>	<u>-</u>	<u>-</u>	<u>840,828</u>
Depreciated assets:				
Buildings	5,952,242	-	-	5,952,242
Building improvements	11,130	-	-	11,130
Land improvements	8,634,566	-	-	8,634,566
Vehicles	579,791	648,330	-	1,228,121
Machinery & equipment	7,329,184	60,093	-	7,389,277
Infrastructure	993,643	520,466	-	1,514,109
Storm water utilities	3,497,942	-	-	3,497,942
	26,998,498	1,228,889	-	28,227,387
Less: accumulated depreciation	(15,466,250)	(860,637)	-	(16,326,887)
	<u>11,532,248</u>	<u>368,252</u>	<u>-</u>	<u>11,900,500</u>
Net capital assets	<u>\$ 12,373,076</u>	<u>\$ 368,252</u>	<u>\$ -</u>	<u>\$ 12,741,328</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation

Fire	\$ 162,426
Ambulance	6,842
Public works	349,790
General government	3,011
Health	3,610
Police	259,973
Recreation	86,398
Highway	290,461
Library	338
City-wide	22,964
Subtotal governmental	<u>1,185,813</u>
Water department	183,678
Water pollution control	491,837
Storm water utilities	185,122
Subtotal business-type	<u>860,637</u>
Total depreciation expense	<u><u>\$ 2,046,450</u></u>

NOTE 5 - LONG TERM DEBT

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

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$ 26,171,909	\$ -	\$ (1,424,180)	\$ 24,747,729	\$ 1,441,993
Notes payable	7,637,894	-	(366,183)	7,271,711	532,511
Accrued benefit time	677,536	5,342	-	682,878	-
Net pension liability	2,942,017	3,706,197	-	6,648,214	-
Total Governmental Activities	<u>\$ 37,429,356</u>	<u>\$ 3,711,539</u>	<u>\$ (1,790,363)</u>	<u>\$ 39,350,532</u>	<u>\$ 1,974,504</u>
<u>Business-type Activities:</u>					
Bonds payable	\$ 2,303,911	\$ -	\$ (361,585)	\$ 1,942,326	\$ 361,452
Total Business-type Activities	<u>\$ 2,303,911</u>	<u>\$ -</u>	<u>\$ (361,585)</u>	<u>\$ 1,942,326</u>	<u>\$ 361,452</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Bonds</u>		
\$2,435,000, 2000 General Obligation Bond due in annual principal installments and semiannual interest installments through December 2020. Interest is charged at a net rate of 5.23% per annum. Annual principal installments are \$120,000.	\$ 492,762	\$ 107,178
\$4,900,000, 1998 General Obligation Bond due in annual principal installments and semiannual interest installments through April 2020. Interest is not charged. Annual principal installments are \$245,000.	-	980,000
\$3,400,000, 2004 General Obligation Bond due in annual principal installments and semiannual interest installments through December 2024. Interest is charged at a net rate of 4.455% per annum. Annual principal installments are \$170,000.	674,852	855,148
\$7,200,000, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through December 2030. Interest is charged at a rate of 4.34% per annum. Annual principal installments are \$360,000.	5,400,000	-
\$2,000,000, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through December 2022. Interest is charged at a net rate from 3.25% to 4.75% per annum. \$1,000,000 was paid by ARRA funding.	874,044	-
\$19,800,000, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through April 2030. Interest is charged at 1.00% per annum. Annual principal installments vary.	17,306,071	-
	<u>\$ 24,747,729</u>	<u>\$ 1,942,326</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding notes payable:

Notes

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$104,000, General Obligation Note from the Pollution Control Revolving Loan Fund due in annual principal installments with interest being forgiven. \$52,000 was paid by ARRA funding.	\$ 10,816	\$ -
\$90,310, General Obligation Note from the Pollution Control Revolving Loan Fund due in annual principal installments with interest being forgiven. \$45,155 was paid by ARRA funding.	9,392	-
\$74,000, General Obligation Note from the Pollution Control Revolving Loan Fund due in annual principal installments with interest being forgiven. \$37,000 was paid by ARRA funding.	7,696	-
\$213,316, General Obligation Note from the Pollution Control Revolving Loan Fund due in annual principal installments with interest being forgiven. \$106,658 was paid by ARRA funding.	22,185	-
\$198,281, General Obligation Note from the Pollution Control Revolving Loan Fund due in annual principal installments with interest being forgiven. \$99,140 was paid by ARRA funding.	20,054	-
\$8,168,158 Note payable to Merchants Bank for Pension Financing with interest at 5.125%. Note matures on June 30, 2031 with annual installments of \$660,948.	6,801,568	-
\$8,168,158 Note payable to Merchants Bank for Pension Financing with interest at 5.125%. Note matures on June 30, 2031 with annual installments of \$660,948.	400,000	-
	<u>\$ 7,271,711</u>	<u>\$ -</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - LONG TERM DEBT (CONTINUED)

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

Bonds Payable

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 1,803,445	\$ 602,179	\$ 2,405,624
2018	1,821,615	569,624	2,391,239
2019	1,840,147	529,264	2,369,411
2020	1,859,050	514,867	2,373,917
2021	1,633,332	486,476	2,119,808
2022-2026	7,699,707	1,768,838	9,468,545
2027-2031	7,562,978	820,791	8,383,769
2032-2036	2,469,781	74,338	2,544,119
	<u>\$ 26,690,055</u>	<u>\$ 5,366,377</u>	<u>\$ 32,056,432</u>

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

Notes Payable

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 532,511	\$ 349,978	\$ 882,489
2018	478,377	332,571	810,948
2019	445,206	317,429	762,635
2020	362,081	298,867	660,948
2021	381,454	279,494	660,948
2022-2026	2,220,679	1,084,061	3,304,740
2027-2031	2,851,403	453,339	3,304,742
	<u>\$ 7,271,711</u>	<u>\$ 3,115,739</u>	<u>\$ 10,387,450</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the City had the following nonspendable fund balance:

General fund:	
Inventory	\$ 19,566
Prepaid expenses	827,908
	<u>\$ 847,474</u>

NOTE 7 - RESTRICTED FUND BALANCES

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

Nonmajor special revenue funds (Schedule D)	\$ 645,826
Nonmajor capital projects funds (Schedule F)	260,689
Nonmajor permanent funds (Schedule H)	460,999
	<u>\$ 1,367,514</u>

NOTE 8 - COMMITTED FUND BALANCES

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

Nonmajor special revenue funds (Schedule D)	\$ 2,691,577
Nonmajor capital projects funds (Schedule F)	2,145,566
Nonmajor permanent funds (Schedule H)	13,932
	<u>\$ 4,851,075</u>

NOTE 9 - ASSIGNED FUND BALANCES

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

Nonmajor special revenue funds (Schedule D)	\$ 256,381
	<u>\$ 256,381</u>

NOTE 10 - RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Vermont League of Cities and Towns.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL (CONTINUED)

Based on the coverage provided by the insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

The City of South Burlington, Vermont is a member of Vermont League of Cities and Towns (VLCT). The VLCT has established three insurance trusts: the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; The Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and the Vermont league of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF, VLCTHT and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability. Members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the program will be terminated with each member assessed their proportionate share of the deficit.

To provide health insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Connecticut General (CIGNA). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Other health related benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the program will be terminated with each members assessed their proportionate share of the deficit.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - RETIREMENT INCENTIVES

The City will permit any employee with 15 years or more of service to exchange 160 hours of sick leave plus 16 additional sick leave hours per year of service beyond 15 years towards early retirement in the year of retirement.

Life insurance is offered to all retirees for the rest of their lives. The present cost is different for each person. There are 38 people presently receiving life insurance benefits with an annual cost to the city of \$33,355. The liability will change from year to year based on the cost of the insurance and the number of people receiving the insurance benefit.

The City offers a plan, available to all full time employees, that uses accumulated unused sick time to pay for the loss of health insurance upon their retirement. The amount of unused sick time hours multiplied by the employee’s hourly rate at the time of retirement is the amount credited to a sick leave bank to pay the cost of insurance. The amount is actually unfunded and treated as a “pay as you go” plan. As of June 30, 2016, the actual liability for retired employees is \$354,981 and the contingent liability for active employees has been estimated at \$3,427,333.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

CITY OF SOUTH BURLINGTON RETIREMENT INCOME PLAN

Plan Description

The City of South Burlington Retirement Income Plan is a single-employer defined benefit pension plan established and maintained by the City for its employees. The plan is administered by and may be amended by the City Council. The plan was established effective December 1, 1972 and contains two components, one component for public safety employees (fire and police) and the other component for all other City employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the City and compensation rates near retirement.

At June 30, 2016, the plan membership consisted of the following:

Membership	Public Safety	Non-Public Safety Group
Retired members currently receiving benefits	30	38
Terminated vested or inactive but still employed	13	32
Actively employed members	76	40
Total membership	119	110

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

As this plan is provided for and administered by the City of South Burlington, separate financial statements are not available for this plan. The City's most recent actuarial valuation of the plan can be obtained at the office of the City Treasurer, 575 Dorset Street, South Burlington, Vermont 05403 or on the City's website at www.sburl.com.

Benefits Provided

The plan provides retirement, disability and death benefits to plan members and their beneficiaries based on eligibility. Plan eligibility requirements for public safety employees is immediate upon employment, while non-public safety employees are required to reach thirty-six months of service prior to plan entry. Employees who are members of the Water Pollution Control Employees Association (WPC) who are hired on or after January 1, 2011 and employees who are not members of either the WPC or the South Burlington City Hall & Public Works Employees' Association (SBCH&PW) unless that employee was a participant in the plan on June 30, 2010 are ineligible for the plan.

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Provisions	Public Safety Employees		Non-public Safety Employees
<p><i>Normal retirement age:</i></p> <p>*or other termination of service</p>	<p><u>Retirement * on or After</u></p>	<p><u>Age</u></p>	<p>Attainment of age 65</p>
	<p>Prior to July 1, 2001</p>	<p>60</p>	
	<p>July 1, 2001</p>	<p>55</p>	
	<p>July 1, 2005</p>	<p>54</p>	
	<p>July 1, 2007</p>	<p>53</p>	
	<p>July 1, 2009</p>	<p>52</p>	
	<p>July 1, 2010</p>	<p>51</p>	
	<p>July 1, 2011</p>	<p>50</p>	
<p><i>Benefit formula</i></p>	<p>2.5% of average annual compensation per year of service with police or fire departments up to 25 years</p>		<p>1.75% of average compensation times years of service completed with city departments other than non-public safety departments</p>
<p><i>Post-retirement COLA and social security offset for members retiring on or after normal retirement date:</i></p> <p>Members who retire on or after their Normal Retirement Date will receive an annual increase in their monthly benefit of 3% until social security benefits commence. Upon commencement of social security, the plan benefit is reduced by a fraction of the member's social security benefit based on the member's Years of Service at retirement.</p>	<p><u>Years of Service at Later of June 30, 2002 or Retirement</u></p>	<p><u>PIA Offset Percentage</u></p>	
	<p>25 or less</p>	<p>50%</p>	
	<p>26</p>	<p>45%</p>	
	<p>27</p>	<p>40%</p>	
	<p>28</p>	<p>35%</p>	
	<p>29</p>	<p>30%</p>	
	<p>30 or more</p>	<p>25%</p>	

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Provisions	Public Safety Employees	Non-public Safety Employees
<i>Plan compensation</i>		SBCH&PW members – effective July 1, 2009, total compensation; WPC members – effective July 1, 2007, total compensation, including scheduled and unscheduled overtime, on-call pager pay; for all other non-public safety employees – base pay
<i>Average annual compensation:</i> *effective July 1, 2009, plan compensation includes overtime up to 25% of base pay	Plan compensation* is averaged over high three consecutive years of service. Compensation is annualized for the years in which the member completes less than 2,000 hours of service, but at least 1,000 hours of service	Plan compensation is averaged over high three consecutive years of service that produce highest average. Compensation is annualized for the years in which the member completes less than 2,000 hours of service, but at least 1,000 hours of service
<i>Normal annuity form</i>	Life annuity	Life annuity
<i>Accrued benefit definition</i>	Unit credit accrual, based on years of service completed at determination date	Unit credit accrual, based on years of service completed at determination date
<i>Early retirement</i>	Age 50, accrued benefit reduced 10% per year for benefit commencement prior to normal retirement date	Age 55, accrued benefit reduced by 1/15 per year for benefit commencement prior to 65
<i>Disability</i>	Actuarial equivalent of accrued benefit	Actuarial equivalent of accrued benefit
<i>Pre-retirement death benefit</i>	Actuarial equivalent of accrued benefit	Actuarial equivalent of accrued benefit
<i>Vesting</i>	7-Year graded – 20% after 3 years, 20% per year thereafter, 100% after 7 years	7-Year graded – 20% after 3 years, 20% per year thereafter, 100% after 7 years

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

The authority to establish and amend the contribution requirement of the City and its active employees lies with the City Council. The City Council establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's contribution requirement for the year ended June 30, 2016 of \$765,860 was made in accordance with actuarially determined requirements through an actuarial valuation performed as of July 1, 2015. This contribution represents 10.84% of covered payroll.

All active public safety plan members are required to contribute 6.5% of their annual compensation on a pre-tax basis to the plan. A record of such Mandatory Member Contributions shall be maintained along with interest credited thereto. A plan member is fully vested in the amount standing to his credit in his Mandatory Member Contribution Account as of any date. Each plan member will be 100% vested in his accrued compensation benefit after completion of seven or more years of credited service. For the year ended June 30, 2016, the average active employee contribution rate was 6.05% of annual pay.

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council, by a majority vote of their members. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
Money market funds	0.01%
Equity mutual funds	58.47%
Fixed income mutual funds	36.25%
Other assets	5.21%
Accrued income	0.06%
Total	100.00%

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Rate of return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 31,832,464
Plan fiduciary net position	28,921,888
Net pension liability	<u>\$ 2,910,576</u>

Plan fiduciary net position as a percentage of the total pension liability	90.86%
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Significant Actuarial Assumptions and Methods

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Actuarial valuation date</i>	July 1, 2015	
<i>Valuation interest (pre- and post-retirement)</i>	7.50%	
<i>Compensation annual rate of increase</i>	4.00%	
<i>Valuation compensation:</i>	Public Safety:	Non-public Safety:
Compensation paid during the plan year preceding the valuation date	Base compensation plus overtime not to exceed 25% of base pay	Total compensation
Employee contribution rate (public safety only)	6.50%	
Assumed retirement age	Normal retirement age	
Mortality (pre- and post-retirement)	RP-2014 Static Annuitant and Nonannuitant	
Employee turnover	Scale T-3 from the Pension Actuary's Handbook	

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

IRC Section 401(a)(17) maximum compensation limit	\$265,000
IRC Section 415(b) maximum benefit limit	\$210,000
Actuarial cost method	Entry Age Normal

The *long-term expected rate of return* on pension plan assets was determined using a building block method in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate 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 July 1, 2015 are summarized on the table below:

Asset Class	Long-term Expected Real Rate of Return
Money market funds	0.00%
Equity mutual funds	1.56%
Fixed income mutual funds	2.53%
Other assets	0.00%
Accrued income	0.00%
Total	4.09%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected 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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.50%	7.50%	8.50%
City's proportionate share of the net pension liability	\$ 10,772,578	\$ 6,334,012	\$ 2,625,193

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the fiduciary fund section of this financial report.

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

For the year ended June 30, 2016, the City recognized pension revenue of \$542,164. At June 30, 2016, the City 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	\$ 892,767	\$ -
Changes of assumptions	558,079	60,812
Net difference between projected and actual earnings on pension plan investments	2,978,905	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 4,429,751</u>	<u>\$ 60,812</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	937,838
2018		937,838
2019		937,838
2020		602,466
2021		109,269
Thereafter		843,690

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

All of the teachers employed by the City 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 District teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State of Vermont that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2016, the retirement system consisted of 288 participating employers.

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

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Benefits Provided

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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

VSTRS is a cost-sharing public employee retirement system with one exception: all risks and costs are not shared by the 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 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 District’s employees included in the teacher’s retirement plan which approximates \$2,614,938 or 12.84% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

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

Employee contributions totaled \$1,051,524 during the year and were paid by the District to the State of Vermont. The District has no other liability under the plan. The District’s total payroll for all employees covered under this plan was \$20,365,564 for the year ended June 30, 2016.

VERMONT MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the District other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

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

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS 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 may be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The District participates in Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

Employee contributions are withheld pre income tax by the District and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, and 2015 totaled \$74,585 and \$58,336, respectively. The District contributed \$79,095 and \$89,424 for the years ended June 30, 2016 and 2015, respectively. The District's total payroll for the year ended June 30, 2016 for all employees covered under this plan was \$1,438,095.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities

VSTRS Plan

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

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

The State of Vermont's proportionate share of the net pension liability associated with the District is equal to the collective net pension liability, actuarially measured as of June 30, 2015, multiplied by the District's proportionate share percentage. The District's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2015, the District's proportion was 3.2081%, which was an increase of 0.0235% from its proportion measured as of June 30, 2014.

VMERS Plan

At June 30, 2016, the District reported a liability of \$314,202 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The District's proportion of the net pension liabilities were based on a projection of the District's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2015, the District's proportion was 0.4076% for VMERS, which was an increase of 0.1014% from its proportion measured as of June 30, 2014 for VMERS.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,586,194 and revenue of \$3,586,194 for support provided by the State of Vermont for the VSTRS plan. In the same period, the District recognized net pension revenue of \$45,399 for the VMERS plan. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 9,933	\$ -
Changes of assumptions	-	-	62,573	-
Net difference between projected and actual earnings on pension plan investments	-	-	60,702	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	18,799	18,903
Contributions subsequent to the measurement date	-	-	79,095	-
Total	\$ -	\$ -	\$ 231,102	\$ 18,903

\$79,095 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Year ended June 30:		
2016	\$ -	\$ 24,532
2017	-	24,532
2018	-	24,532
2019	-	59,507
2020	-	-
Thereafter	-	-

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant Actuarial Assumptions and Methods

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

Investment Rate of Return: For both plans, a select-and-ultimate interest rate set is used, specified below. The interest rate is restarted every year:

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

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

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

Salary increases for the VMERS plan are 5.00% per year, including inflation.

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

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 3.00% to 3.25% per year.

Spouse's Age: For both plans, husbands are assumed to be three years older than their wives.

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

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

Actuarial Cost Method: For both plans is the Entry Age Normal – Level Percentage of Pay.

A smoothing *asset valuation method* was used for funding purposes in both plans, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Equity	8.61%
Fixed income	1.91%
Alternative	6.93%
Multi-strategy	4.88%

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 and the VMERS 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.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VSTRS plan and the VMERS plan, as well as what the District'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:

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
District's proportionate share of the net pension liability	\$ 627,598	\$ 314,202	\$ 51,487

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 and VMERS or their participating employers. VSTRS and VMERS do 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

NOTE 13 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGERS ASSOCIATION – RETIREMENT CORPORATION

A. 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 District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFERRED COMPENSATION PLAN (CONTINUED)

It is the opinion of the City's management that the City 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.

B. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City matches voluntary contributions up to 5.5% of non-public safety personnel. Vesting occurs immediately.

The City's contributions to the plan including employee contributions for 2016, 2015 and 2014 were \$249,641, \$290,879 and \$310,119, respectively.

NOTE 14 - DEFICIT FUND BALANCES

At June 30, 2016 the City had the following deficit fund balances:

Nonmajor funds:	
Police off-duty work (206)	\$ 15,060
MPG 10 Natural Resources (210)	7,512
Mobile data terminals (245)	53,002
MPG 2014 Chamberlain (253)	2,180
Tree Maintenance/Replacement (265)	4,940
BYFAE Jag Grant (278)	2,262
Market street federal (280)	214,262
LED Signage/Crosswalks (283)	15,409
Kennedy Drive Reconstruction (303)	6,991
Hayes Avenue Stormwater (328)	5,668
Community chorus	1,684
Total nonmajor funds	<u>\$ 328,970</u>

The City is currently reviewing the condition of these overdrafts and a plan to fund them.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The City of South Burlington, Vermont contracts for management, water purchases and other services from the Champlain Water District (CWD). The water department has contracted with CWD to manage and maintain the water facility. This contract is renewed annually. The terms of the management contract provide for hourly wages for the CWD employees.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the City's financial position.

The City participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the City'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 - TAX INCREMENT FINANCING DISTRICT - COMPLIANCE

In accordance with Vermont Statutes, Title 24, Chapter 053, Subchapter 005, Section 1901, the TIF information included in the City's annual audited financial statements have been subjected to the above mentioned section.

NOTE 17 - RESTATEMENT

The beginning net position of the governmental activities has been restated as of July 1, 2015 for the to correct certain long-term debt balances. The governmental fund beginning balance has been restated by (\$62,508).

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
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Schedule of Changes in Net Pension Liability and Related Ratios – Employees' Pension Plan
- Schedule of Contributions - Employees' Pension Plan
- Schedule of Investment Returns
- Schedule of Funding Progress – Employee Pension Plan
- Notes to Required Supplementary Information

CITY OF SOUTH BURLINGTON, VERMONT

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,371,991	\$ 1,371,991	\$ 1,371,991	\$ -
Resources (Inflows):				
General tax revenue - municipal and education	52,958,585	52,958,585	52,793,683	(164,902)
Charges for services	3,808,769	3,808,769	3,599,167	(209,602)
Transfers from other funds	44,735	44,735	44,735	-
Amounts Available for Appropriation	<u>58,184,080</u>	<u>58,184,080</u>	<u>57,809,576</u>	<u>(374,504)</u>
Charges to Appropriations (Outflows):				
General government	6,457,142	6,457,142	6,545,284	(88,142)
Public safety	7,990,000	7,990,000	7,817,311	172,689
Public works	2,187,254	2,187,254	2,017,658	169,596
Social services	668,025	668,025	675,705	(7,680)
Recreation and culture	1,171,521	1,171,521	1,190,408	(18,887)
Debt service	1,580,513	1,580,513	1,505,360	75,153
Education	35,658,945	35,658,945	35,658,945	-
Transfers to other funds	1,098,689	1,098,689	1,080,129	18,560
Total Charges to Appropriations	<u>56,812,089</u>	<u>56,812,089</u>	<u>56,490,800</u>	<u>321,289</u>
Budgetary Fund Balance, June 30	<u>\$ 1,371,991</u>	<u>\$ 1,371,991</u>	<u>\$ 1,318,776</u>	<u>\$ (53,215)</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 13,383,284	\$ 13,383,284	\$ 13,168,992	\$ (214,292)
Property taxes (education)	35,658,945	35,658,945	35,658,945	-
Local options tax	3,661,406	3,661,406	3,683,634	22,228
Interest and penalties	254,950	254,950	282,112	27,162
Charges for services:				
Administrative services	468,885	468,885	444,147	(24,738)
Fire department	304,000	304,000	494,609	190,609
Other city clerk fees	257,500	257,500	204,455	(53,045)
Building & sign permits	212,500	212,500	254,008	41,508
Other planning fees	109,200	109,200	127,820	18,620
Vermont district court	70,000	70,000	52,963	(17,037)
Police department	365,169	365,169	359,735	(5,434)
Highway department	1,099,065	1,099,065	1,100,809	1,744
Recreation	5,000	5,000	11,745	6,745
Contracted programs	192,000	192,000	116,279	(75,721)
Ambulance	719,000	719,000	655,182	(63,818)
Library	6,450	6,450	8,684	2,234
Other income				
Ambulance receivable writeoff	-	-	(231,269)	(231,269)
Transfers from other funds	44,735	44,735	44,735	-
Total revenues	<u>\$ 56,812,089</u>	<u>\$ 56,812,089</u>	<u>\$ 56,437,585</u>	<u>\$ (374,504)</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>		
Proportion of the net pension liability	0.00%	0.00%
Proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City	<u>38,063,925</u>	<u>30,522,465</u>
Total	<u>\$ 38,063,925</u>	<u>\$ 30,522,465</u>
Covered-employee payroll	\$ 20,365,564	\$ 18,052,166
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.22%	64.02%
<u>VMERS:</u>		
Proportion of the net pension liability	0.41%	0.31%
Proportionate share of the net pension liability	\$ 314,202	\$ 31,441
Covered-employee payroll	\$ 1,438,095	\$ 1,059,889
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	21.85%	2.97%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%

* 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.

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
<u>VSTRS:</u>		
Contractually required contribution	\$ 2,338,967	\$ 3,780,035
Contributions in relation to the contractually required contribution	<u>(2,338,967)</u>	<u>(3,780,035)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 20,365,564	\$ 18,052,166
Contributions as a percentage of covered-employee payroll	11.48%	20.94%
<u>VMERS:</u>		
Contractually required contribution	\$ 79,095	\$ 147,760
Contributions in relation to the contractually required contribution	<u>(79,095)</u>	<u>(147,760)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,438,095	\$ 1,059,889
Contributions as a percentage of covered-employee payroll	5.50%	13.94%

* 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.

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES' PENSION PLAN
LAST 10 FISCAL YEARS*

	2016	2015
Total pension liability		
Service cost	\$ 804,013	\$ 764,636
Interest	2,337,631	2,177,059
Changes in benefit terms	-	-
Difference between actual and expected experience	445,709	558,135
Changes of assumptions	600,947	(70,880)
Benefit payments	(1,328,091)	(1,247,876)
Net change in total pension liability	2,860,209	2,181,074
Total pension liability - beginning	31,832,464	29,651,390
Total pension liability - ending (a)	\$ 34,692,673	\$ 31,832,464
Plan fiduciary net position		
Contributions - employer	\$ 765,860	\$ 1,192,750
Contributions - employee	305,476	297,142
Net investment income	(306,473)	451,391
Benefit payments	(1,328,091)	(1,247,876)
Other	-	-
Net change in plan fiduciary net position	(563,228)	693,407
Plan fiduciary net position - beginning	28,921,888	28,228,481
Plan fiduciary net position - ending (b)	\$ 28,358,660	\$ 28,921,888
Net pension liability - ending (a) - (b)	\$ 6,334,013	\$ 2,910,576
Plan fiduciary net position as a percentage of the total pension liability	81.74%	90.86%
Covered-employee payroll	\$ 7,064,300	\$ 6,743,881
Net pension liability as a percentage of its covered-employee payroll	89.66%	43.16%

* The amounts presented for each fiscal year were determined as of July 1, 2016, and are for those years for which information is available.

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

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF CONTRIBUTIONS – EMPLOYEES’ PENSION PLAN
LAST 10 FISCAL YEARS*

	2016	2015
Actuarially determined contribution	\$ 765,860	\$ 1,192,750
Contributions in relation to the actuarially determined contribution	(765,860)	(1,192,750)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 7,064,300	\$ 6,743,881
Contributions as a percentage of covered-employee payroll	10.84%	17.69%

Notes to schedule:

Valuation date:	July 1, 2015
Actuarial cost method:	Entry age normal.
Recognition period for liabilities	Average future service period of active employees of 14.0795 years.
Recognition period for assets	5 years.
Asset-valuation method:	Market value of assets as of the measurement date.

Actuarial assumptions

Investment rate of return:	7.50%.
Discount rate:	7.50%.
Compensation annual rate of increase:	4.00% annually as of July 1, 2016 and for future periods.
Cost of living adjustment (public safety employees only)	Members who retire on or after their Normal Retirement Date will receive an annual increase in their monthly benefit of 3% until social security benefits commence. Upon commencement of social security, the plan benefit is reduced by a fraction of the member's social security benefit based on the member's Years of Service at retirement.
Employee contribution rate (public safety only):	6.50%.
Assumed retirement age:	Normal retirement age.
Pre- and post-retirement mortality:	RP-2014 Static Annuitant and Nonannuitant.
Employee turnover:	Scale T-3 from the Pension Actuary's Handbook.
IRC Section 401(a)(17) maximum compensation limit:	\$265,000
IRC Section 415(b) maximum benefit limit:	\$210,000

* The amounts presented for each fiscal year were determined as of July 1, 2016, and are for those years for which information is available.

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

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS*

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	7.50%	7.50%

* The amounts presented for each fiscal year were determined as of July 1, 2016, and are for those years for which information is available.

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

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF FUNDING PROGRESS – EMPLOYEE PENSION PLAN
LAST 10 FISCAL YEARS*

Actuarial Valuation Date	Fair Value of Plan Assets (a)	PV of Accumulated Plan Benefits - Frozen Initial Liability (b)	Unfunded Plan Benefits (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/11	\$ 22,140,718	\$ 20,777,281	\$ (1,363,437)	106.56%	\$ 6,004,876	-22.71%
7/1/12	22,354,550	22,362,659	8,109	99.96%	5,623,012	0.14%
7/1/13	25,206,769	23,824,374	(1,382,395)	105.80%	5,611,009	-24.64%
7/1/14	28,852,033	24,080,967	(4,771,066)	119.81%	6,333,287	-75.33%
7/1/15	28,921,889	26,436,535	(2,485,354)	109.40%	6,743,881	-36.85%
7/1/16	28,358,660	28,741,050	382,390	98.67%	7,064,300	5.41%

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of Assumptions

The discount rate used to measure the net pension liability was lowered from 8.15% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

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.

- 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 Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds
- Combining Balance Sheet – Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

CITY OF SOUTH BURLINGTON, VERMONT

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

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government					
City council	\$ 289,386	\$ -	\$ 289,386	\$ 134,672	\$ 154,714
Employee benefits	3,723,740	-	3,723,740	3,876,867	(153,127)
City manager	579,822	-	579,822	561,355	18,467
City clerk	231,661	-	231,661	225,785	5,876
Legal/accounting/actuary	256,609	-	256,609	374,025	(117,416)
Administrative services	715,971	-	715,971	711,364	4,607
Information technology	105,744	-	105,744	107,949	(2,205)
Assessing/tax	238,070	-	238,070	246,431	(8,361)
Planning/design review	316,139	-	316,139	306,836	9,303
	<u>6,457,142</u>	<u>-</u>	<u>6,457,142</u>	<u>6,545,284</u>	<u>(88,142)</u>
Public safety					
Fire department	2,492,657	-	2,492,657	2,553,157	(60,500)
Ambulance	870,713	-	870,713	813,489	57,224
Police department	4,626,630	-	4,626,630	4,450,665	175,965
	<u>7,990,000</u>	<u>-</u>	<u>7,990,000</u>	<u>7,817,311</u>	<u>172,689</u>
Public works					
Highway department	2,187,254	-	2,187,254	2,017,658	169,596
	<u>2,187,254</u>	<u>-</u>	<u>2,187,254</u>	<u>2,017,658</u>	<u>169,596</u>
Social services					
County court	124,300	-	124,300	131,945	(7,645)
Winooski Valley Park	54,000	-	54,000	54,000	-
C.C.T.A	453,352	-	453,352	453,387	(35)
Regional planning	36,373	-	36,373	36,373	-
	<u>668,025</u>	<u>-</u>	<u>668,025</u>	<u>675,705</u>	<u>(7,680)</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Recreation and culture					
Recreation administration	250,385	-	250,385	285,776	(35,391)
Programs	48,730	-	48,730	54,595	(5,865)
Red Rocks Park	-	-	-	896	(896)
Facilities	91,018	-	91,018	83,323	7,695
Contracted programs	121,900	-	121,900	71,191	50,709
Community library	451,707	-	451,707	464,770	(13,063)
Park maintenance	207,781	-	207,781	229,857	(22,076)
	<u>1,171,521</u>	<u>-</u>	<u>1,171,521</u>	<u>1,190,408</u>	<u>(18,887)</u>
Debt service					
Principal public works facility	98,568	-	98,568	98,568	-
Principal Kennedy drive recon.	22,440	-	22,440	22,508	(68)
Principal Lime Kiln bridge	22,440	-	22,440	22,508	(68)
Principal F/D building improvements	30,090	-	30,090	30,005	85
Principal police headquarters	360,000	-	360,000	360,000	-
Principal pension liability	262,974	-	262,974	262,973	1
Interest public works facility	30,149	-	30,149	30,149	-
Interest Kennedy drive recon.	10,182	-	10,182	8,814	1,368
Interest Lime Kiln bridge	10,182	-	10,182	8,814	1,368
Interest F/D building improvements	13,653	-	13,653	11,749	1,904
Interest police headquarters	239,292	-	239,292	239,292	-
Interest sewer fund note	82,568	-	82,568	12,005	70,563
Interest pension liability	397,975	-	397,975	397,975	-
	<u>1,580,513</u>	<u>-</u>	<u>1,580,513</u>	<u>1,505,360</u>	<u>75,153</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Education	35,658,945	-	35,658,945	35,658,945	-
Transfers	1,098,689	-	1,098,689	1,080,129	-
Total Expenditures	<u>\$ 56,812,089</u>	<u>\$ -</u>	<u>\$ 56,812,089</u>	<u>\$ 56,490,800</u>	<u>\$ 302,729</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,112,797	\$ 236,348	\$ 2,824	\$ 2,351,969
Investments	-	-	392,418	392,418
Accounts receivable	33,153	-	-	33,153
Due from agencies	-	-	75	75
Due from other funds	2,006,780	2,169,907	85,330	4,262,017
TOTAL ASSETS	<u>\$ 4,152,730</u>	<u>\$ 2,406,255</u>	<u>\$ 480,647</u>	<u>\$ 7,039,632</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to agencies	-	-	5,490	5,490
Due to other funds	873,573	12,659	1,910	888,142
TOTAL LIABILITIES	<u>873,573</u>	<u>12,659</u>	<u>7,400</u>	<u>893,632</u>
FUND BALANCES				
Restricted	645,826	260,689	460,999	1,367,514
Committed	2,691,577	2,145,566	13,932	4,851,075
Assigned	256,381	-	-	256,381
Unassigned	(314,627)	(12,659)	(1,684)	(328,970)
TOTAL FUND BALANCES	<u>3,279,157</u>	<u>2,393,596</u>	<u>473,247</u>	<u>6,146,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,152,730</u>	<u>\$ 2,406,255</u>	<u>\$ 480,647</u>	<u>\$ 7,039,632</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 474,728	\$ -	\$ -	\$ 474,728
Charges for service	761,257	-	-	761,257
Other income	81,784	386	13,003	95,173
Investment income, net of unrealized gains/(losses)	-	-	707	707
TOTAL REVENUES	<u>1,317,769</u>	<u>386</u>	<u>13,710</u>	<u>1,331,865</u>
EXPENDITURES				
Program expenses	775,366	-	15,808	791,174
Public safety	-	-	157	157
Capital outlay	26,571	220,000	-	246,571
TOTAL EXPENDITURES	<u>801,937</u>	<u>220,000</u>	<u>15,965</u>	<u>1,037,902</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>515,832</u>	<u>(219,614)</u>	<u>(2,255)</u>	<u>293,963</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	262,060	996,429	-	1,258,489
Transfers (out)	(205,860)	-	(24,735)	(230,595)
TOTAL OTHER FINANCING SOURCES (USES)	<u>56,200</u>	<u>996,429</u>	<u>(24,735)</u>	<u>1,027,894</u>
NET CHANGE IN FUND BALANCES	572,032	776,815	(26,990)	1,321,857
FUND BALANCES, JULY 1	<u>2,707,125</u>	<u>1,616,781</u>	<u>500,237</u>	<u>4,824,143</u>
FUND BALANCES, JUNE 30	<u>\$ 3,279,157</u>	<u>\$ 2,393,596</u>	<u>\$ 473,247</u>	<u>\$ 6,146,000</u>

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

Special Revenue Funds

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	203 Fire Impact Fees	205 Project Dare	206 Police Off-Duty Work	207 Police Forfeiture Fund	210 MPG 10 Natural Resources	211 EMTP Training
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-
Due from other funds	115,953	809	-	81,601	-	50,000
TOTAL ASSETS	\$ 115,953	\$ 809	\$ -	\$ 81,601	\$ -	\$ 50,000
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	15,060	-	7,512	-
TOTAL LIABILITIES	-	-	15,060	-	7,512	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	809	-	81,601	-	50,000
Committed	115,953	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(15,060)	-	(7,512)	-
TOTAL FUND BALANCES	115,953	809	(15,060)	81,601	(7,512)	50,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,953	\$ 809	\$ -	\$ 81,601	\$ -	\$ 50,000

CITY OF SOUTH BURLINGTON, VERMONT

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

	212	214	215	216	219	220	221
	Fueling Station		Fire Dept. Off-Duty Work	Clerk Computer- ization	MPG FY 08 Growth Center	Recreation Impact Fees	Highway Impact Fees
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,037,797
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	41,000	50,000	-	153,569	12,989	787,275	-
TOTAL ASSETS	\$ 41,000	\$ 50,000	\$ -	\$ 153,569	\$ 12,989	\$ 787,275	\$ 2,037,797
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	513,270
TOTAL LIABILITIES	-	-	-	-	-	-	513,270
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	41,000	-	-	-	-	-	-
Committed	-	-	-	153,569	-	787,275	1,524,527
Assigned	-	50,000	-	-	12,989	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	41,000	50,000	-	153,569	12,989	787,275	1,524,527
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,000	\$ 50,000	\$ -	\$ 153,569	\$ 12,989	\$ 787,275	\$ 2,037,797

CITY OF SOUTH BURLINGTON, VERMONT

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

	222 School Impact Fees	226 Community Garden	227 Records Preservation	228 Reparative Board	229	230 Dorset Street H2O Milot	233 Fed EECBG #1 Energy
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	33,153	-
Due from other funds	2	1,044	146,713	1,633	4,951	-	15,131
TOTAL ASSETS	\$ 2	\$ 1,044	\$ 146,713	\$ 1,633	\$ 4,951	\$ 33,153	\$ 15,131
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	28,846	-
TOTAL LIABILITIES	-	-	-	-	-	28,846	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	4,307	-
Committed	2	1,044	-	1,633	4,951	-	-
Assigned	-	-	146,713	-	-	-	15,131
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	2	1,044	146,713	1,633	4,951	4,307	15,131
TOTAL LIABILITIES AND FUND BALANCES	\$ 2	\$ 1,044	\$ 146,713	\$ 1,633	\$ 4,951	\$ 33,153	\$ 15,131

CITY OF SOUTH BURLINGTON, VERMONT

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

	235 FEMA Mimic Grant	238 Senior Citizens Organization	243 South Village Rec. Impact	245 Mobile Data Terminals	251 Fields Use Impact Fees	253 MPG 2014 Chamberlain	261 C/L Specific Outlays
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	58,502	4,177	197,968	-	27,182	-	2,603
TOTAL ASSETS	\$ 58,502	\$ 4,177	\$ 197,968	\$ -	\$ 27,182	\$ -	\$ 2,603
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	53,002	-	2,180	-
TOTAL LIABILITIES	-	-	-	53,002	-	2,180	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	58,502	-	197,968	-	-	-	-
Committed	-	-	-	-	-	-	2,603
Assigned	-	4,177	-	-	27,182	-	-
Unassigned	-	-	-	(53,002)	-	(2,180)	-
TOTAL FUND BALANCES	58,502	4,177	197,968	(53,002)	27,182	(2,180)	2,603
TOTAL LIABILITIES AND FUND BALANCES	\$ 58,502	\$ 4,177	\$ 197,968	\$ -	\$ 27,182	\$ -	\$ 2,603

CITY OF SOUTH BURLINGTON, VERMONT

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

	265 Tree Maintenance/ Replacement	269 MPO/Traffic Overlay Grant	275 Transportation Action	277 Stag EPA Grant	278 BYFAE Jag Grant	280 Market Street (Federal)
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	4,163	20	6,244	-	-
TOTAL ASSETS	\$ -	\$ 4,163	\$ 20	\$ 6,244	\$ -	\$ -
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	4,940	-	-	-	2,262	214,262
TOTAL LIABILITIES	4,940	-	-	-	2,262	214,262
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	4,163	-	6,244	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	20	-	-	-
Unassigned	(4,940)	-	-	-	(2,262)	(214,262)
TOTAL FUND BALANCES	(4,940)	4,163	20	6,244	(2,262)	(214,262)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 4,163	\$ 20	\$ 6,244	\$ -	\$ -

CITY OF SOUTH BURLINGTON, VERMONT

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

	283 LED Signage/ Crosswalks	288 A/P A/Guard Enviromental	290 Highway Safety Grant	298 Rooms Meals Tax	299 Safer Grant
ASSETS					
Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Due from other funds	-	15,964	4,074	180,733	461
TOTAL ASSETS	\$ -	\$ 15,964	\$ 4,074	\$ 180,733	\$ 461
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	15,409	-	-	-	-
TOTAL LIABILITIES	15,409	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	15,964	4,074	180,733	461
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(15,409)	-	-	-	-
TOTAL FUND BALANCES	(15,409)	15,964	4,074	180,733	461
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 15,964	\$ 4,074	\$ 180,733	\$ 461

CITY OF SOUTH BURLINGTON, VERMONT

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

	611 Senior Citizens	616 Police Bequeath	617 Canine Unit	620 Police Bequeath Fund	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 75,000	\$ 2,112,797
Accounts receivable	-	-	-	-	33,153
Due from other funds	169	36,850	5,000	-	2,006,780
TOTAL ASSETS	<u>\$ 169</u>	<u>\$ 36,850</u>	<u>\$ 5,000</u>	<u>\$ 75,000</u>	<u>\$ 4,152,730</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	16,830	873,573
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,830</u>	<u>873,573</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	645,826
Committed	-	36,850	5,000	58,170	2,691,577
Assigned	169	-	-	-	256,381
Unassigned	-	-	-	-	(314,627)
TOTAL FUND BALANCES	<u>169</u>	<u>36,850</u>	<u>5,000</u>	<u>58,170</u>	<u>3,279,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169</u>	<u>\$ 36,850</u>	<u>\$ 5,000</u>	<u>\$ 75,000</u>	<u>\$ 4,152,730</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	203 Fire Impact Fees	205 Project Dare	206 Police Off-Duty Work	207 Police Forfeiture Fund	210 MPG 10 Natural Resources	211 EMTP Training
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 8,182	\$ -	\$ -
Charges for service	32,266	-	-	-	-	-
Other income	-	-	-	-	-	-
TOTAL REVENUES	<u>32,266</u>	<u>-</u>	<u>-</u>	<u>8,182</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Program expenses	-	-	-	-	18,141	-
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,141</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>32,266</u>	<u>-</u>	<u>-</u>	<u>8,182</u>	<u>(18,141)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	10,000
Transfers (out)	-	-	-	(20,804)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,804)</u>	<u>-</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCES	32,266	-	-	(12,622)	(18,141)	10,000
FUND BALANCES - JULY 1	<u>83,687</u>	<u>809</u>	<u>(15,060)</u>	<u>94,223</u>	<u>10,629</u>	<u>40,000</u>
FUND BALANCES - JUNE 30	<u>\$ 115,953</u>	<u>\$ 809</u>	<u>\$ (15,060)</u>	<u>\$ 81,601</u>	<u>\$ (7,512)</u>	<u>\$ 50,000</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	212	214	215	216	219	220	221
	Fueling Station		Fire Dept. Off-Duty Work	Clerk Computer- ization	MPG FY 08 Growth Center	Recreation Impact Fees	Highway Impact Fees
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 122,500	\$ -	\$ -
Charges for service	-	-	-	-	-	270,713	243,783
Other income	-	-	778	60,019	10,600	-	-
TOTAL REVENUES	-	-	778	60,019	133,100	270,713	243,783
EXPENDITURES							
Program expenses	-	-	456	56,387	113,899	12,706	69,848
Capital outlay	-	-	-	-	9,291	-	-
TOTAL EXPENDITURES	-	-	456	56,387	123,190	12,706	69,848
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	322	3,632	9,910	258,007	173,935
OTHER FINANCING SOURCES (USES)							
Transfers in	8,200	50,000	-	-	-	-	-
Transfers (out)	-	-	(1,130)	-	-	-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	8,200	50,000	(1,130)	-	-	-	(5,000)
NET CHANGE IN FUND BALANCES	8,200	50,000	(808)	3,632	9,910	258,007	168,935
FUND BALANCES - JULY 1	32,800	-	808	149,937	3,079	529,268	1,355,592
FUND BALANCES - JUNE 30	\$ 41,000	\$ 50,000	\$ -	\$ 153,569	\$ 12,989	\$ 787,275	\$ 1,524,527

CITY OF SOUTH BURLINGTON, VERMONT

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

	222 School Impact Fees	226 Community Garden	227 Records Preservation	228 Reparative Board	229	230 Dorset Street H2O Milot	233 Fed EECBG #1 Energy
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 4,951	\$ -	\$ -
Charges for service	95,926	-	20,883	-	-	5,710	-
Other income	-	1,721	-	-	-	-	8,666
TOTAL REVENUES	95,926	1,721	20,883	-	4,951	5,710	8,666
EXPENDITURES							
Program expenses	-	691	18,709	-	-	-	11,629
Capital outlay	-	-	13,625	-	-	-	-
TOTAL EXPENDITURES	-	691	32,334	-	-	-	11,629
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	95,926	1,030	(11,451)	-	4,951	5,710	(2,963)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(95,926)	-	-	-	-	(75,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(95,926)	-	-	-	-	(75,000)	-
NET CHANGE IN FUND BALANCES	-	1,030	(11,451)	-	4,951	(69,290)	(2,963)
FUND BALANCES - JULY 1	2	14	158,164	1,633	-	73,597	18,094
FUND BALANCES - JUNE 30	\$ 2	\$ 1,044	\$ 146,713	\$ 1,633	\$ 4,951	\$ 4,307	\$ 15,131

CITY OF SOUTH BURLINGTON, VERMONT

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

	235 FEMA Mimic Grant	238 Senior Citizens Organization	243 South Village Rec. Impact	245 Mobile Data Terminals	251 Fields Use Impact Fees	253 MPG 2014 Chamberlain	261 C/L Specific Outlays
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,841	\$ -
Charges for service	-	-	42,700	-	49,276	-	-
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	42,700	-	49,276	2,841	-
EXPENDITURES							
Program expenses	-	364	-	39,232	24,278	-	-
Capital outlay	-	-	-	-	3,655	-	-
TOTAL EXPENDITURES	-	364	-	39,232	27,933	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(364)	42,700	(39,232)	21,343	2,841	-
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(364)	42,700	(39,232)	21,343	2,841	-
FUND BALANCES - JULY 1	58,502	4,541	155,268	(13,770)	5,839	(5,021)	2,603
FUND BALANCES - JUNE 30	\$ 58,502	\$ 4,177	\$ 197,968	\$ (53,002)	\$ 27,182	\$ (2,180)	\$ 2,603

CITY OF SOUTH BURLINGTON, VERMONT

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

	265 Tree Maintenance/ Replacement	269 MPO/Traffic Overlay Grant	275 Transportation Action	277 Stag EPA Grant	278 BYFAE Jag Grant	280 Market Street (Federal)
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331,217
Charges for service	-	-	-	-	-	-
Other income	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	331,217
EXPENDITURES						
Program expenses	681	-	-	-	-	283,125
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	681	-	-	-	-	283,125
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(681)	-	-	-	-	48,092
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	68,860
Transfers (out)	(8,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(8,000)	-	-	-	-	68,860
NET CHANGE IN FUND BALANCES	(8,681)	-	-	-	-	116,952
FUND BALANCES - JULY 1	3,741	4,163	20	6,244	(2,262)	(331,214)
FUND BALANCES - JUNE 30	\$ (4,940)	\$ 4,163	\$ 20	\$ 6,244	\$ (2,262)	\$ (214,262)

CITY OF SOUTH BURLINGTON, VERMONT

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

	283 LED Signage/ Crosswalks	288 A/P A/Guard Enviromental	290 Highway Safety Grant	298 Rooms Meal Tax	299 Safer Grant
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ 4,932	\$ -	\$ 105
Charges for service	-	-	-	-	-
Other income	-	-	-	-	-
TOTAL REVENUES	-	-	4,932	-	105
EXPENDITURES					
Program expenses	-	-	4,932	118,069	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	-	4,932	118,069	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(118,069)	105
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	125,000	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	125,000	-
NET CHANGE IN FUND BALANCES	-	-	-	6,931	105
FUND BALANCES - JULY 1	(15,409)	15,964	4,074	173,802	356
FUND BALANCES - JUNE 30	<u>\$ (15,409)</u>	<u>\$ 15,964</u>	<u>\$ 4,074</u>	<u>\$ 180,733</u>	<u>\$ 461</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	611	616	617	620	
	Senior	Police	Canine	Police	
	Citizens	Bequeath	Unit	Bequeath	Totals
				Fund	
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 474,728
Charges for service	-	-	-	-	761,257
Other income	-	-	-	-	81,784
TOTAL REVENUES	-	-	-	-	1,317,769
EXPENDITURES					
Program expenses	-	-	-	2,219	775,366
Capital outlay	-	-	-	-	26,571
TOTAL EXPENDITURES	-	-	-	2,219	801,937
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(2,219)	515,832
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	262,060
Transfers (out)	-	-	-	-	(205,860)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	56,200
NET CHANGE IN FUND BALANCES	-	-	-	(2,219)	572,032
FUND BALANCES - JULY 1	169	36,850	5,000	60,389	2,707,125
FUND BALANCES - JUNE 30	\$ 169	\$ 36,850	\$ 5,000	\$ 58,170	\$ 3,279,157

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

Capital Projects 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 fund.

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	301 Reappraisal Fund	302 Revolve Loan EPS Bond	303 Kennedy Drive Reconstruction	306 Fire Department Fund	307 Ambulance Equipment Replacement
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	427,145	3	-	1,141	5,000
TOTAL ASSETS	\$ 427,145	\$ 3	\$ -	\$ 1,141	\$ 5,000
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	6,991	-	-
TOTAL LIABILITIES	-	-	6,991	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	427,145	3	-	1,141	5,000
Assigned	-	-	-	-	-
Unassigned	-	-	(6,991)	-	-
TOTAL FUND BALANCES	427,145	3	(6,991)	1,141	5,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 427,145	\$ 3	\$ -	\$ 1,141	\$ 5,000

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	309 Open Space Special Assessment	312 Tilley Recreation Path	323 ARRA Quarry Ridge S/W	324 ARRA Twin Oaks
ASSETS				
Cash and cash equivalents	\$ 236,348	\$ -	\$ -	\$ -
Due from other funds	-	1,475,929	37,327	106,248
TOTAL ASSETS	\$ 236,348	\$ 1,475,929	\$ 37,327	\$ 106,248
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	37,327	106,248
Committed	236,348	1,475,929	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	236,348	1,475,929	37,327	106,248
TOTAL LIABILITIES AND FUND BALANCES	\$ 236,348	\$ 1,475,929	\$ 37,327	\$ 106,248

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2016

	325 ARRA Ridgewood	326 ARRA Winding Brook	327 ARRA Harbor Heights	328 Hayes Avenue Stormwater	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 236,348
Due from other funds	60,517	45,061	11,536	-	2,169,907
TOTAL ASSETS	<u>\$ 60,517</u>	<u>\$ 45,061</u>	<u>\$ 11,536</u>	<u>\$ -</u>	<u>\$ 2,406,255</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	5,668	12,659
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,668</u>	<u>12,659</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	60,517	45,061	11,536	-	260,689
Committed	-	-	-	-	2,145,566
Assigned	-	-	-	-	-
Unassigned	-	-	-	(5,668)	(12,659)
TOTAL FUND BALANCES	<u>60,517</u>	<u>45,061</u>	<u>11,536</u>	<u>(5,668)</u>	<u>2,393,596</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,517</u>	<u>\$ 45,061</u>	<u>\$ 11,536</u>	<u>\$ -</u>	<u>\$ 2,406,255</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	301 Reappraisal Fund	302 Revolve Loan EPS Bond	303 Kennedy Drive Reconstruction	306 Fire Department Fund	307 Ambulance Equipment Replacement
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Program expenses	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	95,500	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>95,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	95,500	-	-	-	-
FUND BALANCES - JULY 1	<u>331,645</u>	<u>3</u>	<u>(6,991)</u>	<u>1,141</u>	<u>5,000</u>
FUND BALANCES - JUNE 30	<u>\$ 427,145</u>	<u>\$ 3</u>	<u>\$ (6,991)</u>	<u>\$ 1,141</u>	<u>\$ 5,000</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	309 Open Space Special Assessment	312 Tilley Recreation Path	323 ARRA Quarry Ridge S/W	324 ARRA Twin Oaks
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Other income	386	-	-	-
TOTAL REVENUES	<u>386</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Program expenses	-	-	-	-
Capital outlay	220,000	-	-	-
TOTAL EXPENDITURES	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(219,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	285,000	615,929	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>285,000</u>	<u>615,929</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	65,386	615,929	-	-
FUND BALANCES - JULY 1	<u>170,962</u>	<u>860,000</u>	<u>37,327</u>	<u>106,248</u>
FUND BALANCES - JUNE 30	<u>\$ 236,348</u>	<u>\$ 1,475,929</u>	<u>\$ 37,327</u>	<u>\$ 106,248</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	325 ARRA Ridgewood	326 ARRA Winding Brook	327 ARRA Harbor Heights	328 Hayes Avenue Stormwater	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	386
TOTAL REVENUES	-	-	-	-	386
EXPENDITURES					
Program expenses	-	-	-	-	-
Capital outlay	-	-	-	-	220,000
TOTAL EXPENDITURES	-	-	-	-	220,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	996,429
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	996,429
NET CHANGE IN FUND BALANCES	-	-	-	-	-
FUND BALANCES - JULY 1	60,517	45,061	11,536	(5,668)	1,616,781
FUND BALANCES - JUNE 30	<u>\$ 60,517</u>	<u>\$ 45,061</u>	<u>\$ 11,536</u>	<u>\$ (5,668)</u>	<u>\$ 2,393,596</u>

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

Permanent Funds

Permanent funds are used to account for assets held by the City of South Burlington, Vermont in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of the cemeteries and various community organizations.

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2016

	Cemetery	Community Library Trust	Community Chorus	Recreation Donation	P.A.C.T.	Veterans Memorial
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from other agencies	-	-	-	-	-	-
Due from other funds	4,699	57,117	-	6,913	2,618	1,482
TOTAL ASSETS	\$ 4,699	\$ 57,117	\$ -	\$ 6,913	\$ 2,618	\$ 1,482
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 1,676	\$ -	\$ -	\$ -
Due to agencies	-	-	8	-	-	-
TOTAL LIABILITIES	-	-	1,684	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	4,699	57,117	-	-	2,618	1,482
Committed	-	-	-	6,913	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(1,684)	-	-	-
TOTAL FUND BALANCES	4,699	57,117	(1,684)	6,913	2,618	1,482
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,699	\$ 57,117	\$ -	\$ 6,913	\$ 2,618	\$ 1,482

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2016

	Library (Blanchette)	Recreation Path Donations	Fire Department Donations	Dog Park Donations	Community Music Festival	Totals
ASSETS						
Cash and cash equivalents	\$ 2,824	\$ -	\$ -	\$ -	\$ -	\$ 2,824
Investments	392,418	-	-	-	-	392,418
Due from agencies	-	-	-	-	75	75
Due from other funds	-	5,482	6,040	979	-	85,330
TOTAL ASSETS	<u>\$ 395,242</u>	<u>\$ 5,482</u>	<u>\$ 6,040</u>	<u>\$ 979</u>	<u>\$ 75</u>	<u>\$ 480,647</u>
LIABILITIES						
Due to other funds	\$ 159	\$ -	\$ -	\$ -	\$ 75	\$ 1,910
Due to agencies	-	5,482	-	-	-	5,490
TOTAL LIABILITIES	<u>159</u>	<u>5,482</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>7,400</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	395,083	-	-	-	-	460,999
Committed	-	-	6,040	979	-	13,932
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(1,684)
TOTAL FUND BALANCES	<u>395,083</u>	<u>-</u>	<u>6,040</u>	<u>979</u>	<u>-</u>	<u>473,247</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 395,242</u>	<u>\$ 5,482</u>	<u>\$ 6,040</u>	<u>\$ 979</u>	<u>\$ 75</u>	<u>\$ 480,647</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Cemetery	Community Library Trust	Community Chorus	Recreation Donation	P.A.C.T.	Veterans Memorial
REVENUES						
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	3,089	2,059	-	4,385	2,335
TOTAL REVENUES	-	3,089	2,059	-	4,385	2,335
EXPENDITURES						
Public safety	-	-	-	-	-	-
Other	-	4,136	3,615	-	3,964	4,093
TOTAL EXPENDITURES	-	4,136	3,615	-	3,964	4,093
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,047)	(1,556)	-	421	(1,758)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(6,735)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(6,735)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(7,782)	(1,556)	-	421	(1,758)
FUND BALANCES - JULY 1	4,699	64,899	(128)	6,913	2,197	3,240
FUND BALANCES - JUNE 30	\$ 4,699	\$ 57,117	\$ (1,684)	\$ 6,913	\$ 2,618	\$ 1,482

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Library (Blanchette)	Recreation Path Donations	Fire Department Donations	Dog Park Donations	Community Music Festival	Totals
REVENUES						
Investment income, net of unrealized gains/(losses)	\$ 707	\$ -	\$ -	\$ -	\$ -	\$ 707
Other income	-	-	1,102	33	-	13,003
TOTAL REVENUES	<u>707</u>	<u>-</u>	<u>1,102</u>	<u>33</u>	<u>-</u>	<u>13,710</u>
EXPENDITURES						
Public safety	-	-	157	-	-	157
Other	-	-	-	-	-	15,808
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>157</u>	<u>-</u>	<u>-</u>	<u>15,965</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>707</u>	<u>-</u>	<u>945</u>	<u>33</u>	<u>-</u>	<u>(2,255)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	(18,000)	-	-	-	-	(24,735)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,735)</u>
NET CHANGE IN FUND BALANCES	(17,293)	-	945	33	-	(26,990)
FUND BALANCES - JULY 1	<u>412,376</u>	<u>-</u>	<u>5,095</u>	<u>946</u>	<u>-</u>	<u>500,237</u>
FUND BALANCES - JUNE 30	<u>\$ 395,083</u>	<u>\$ -</u>	<u>\$ 6,040</u>	<u>\$ 979</u>	<u>\$ -</u>	<u>\$ 473,247</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.

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General Government	\$ 329,511	\$ 1,773,721	\$ 242,760	\$ -	\$ 2,345,992
Ambulance	-	-	244,797	-	244,797
Fire	1,118,500	6,314,977	2,474,223	-	9,907,700
Police	-	7,319,538	1,958,877	-	9,278,415
Highway	1,114,629	-	2,192,257	4,198,700	7,505,586
Public Works	6,621,526	791,049	654,877	36,475,436	44,542,888
Library	-	-	12,084	-	12,084
Recreation	2,610,952	400,429	141,769	2,087,056	5,240,206
Health	280,500	681,648	-	108,305	1,070,453
Airport	21,375,571	-	-	-	21,375,571
City Wide	2,023,200	8,600	-	-	2,031,800
Storm Water Utilities	30,000	154,994	1,226,028	4,018,408	5,429,430
Water Pollution Control	488,000	14,442,944	720,497	974,930	16,626,371
Water Department	322,828	-	6,670,675	18,713	7,012,216
Total General Capital Assets	36,315,217	31,887,900	16,538,844	47,881,548	132,623,509
Less: Accumulated Depreciation	-	(21,503,408)	(9,352,536)	(34,563,888)	(65,419,832)
Net General Capital Assets	\$ 36,315,217	\$ 10,384,492	\$ 7,186,308	\$ 13,317,660	\$ 67,203,677

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
General Government	\$ 2,332,367	\$ 13,625	\$ -	\$ 2,345,992
Ambulance	219,380	25,417	-	244,797
Fire	9,840,447	67,253	-	9,907,700
Police	9,055,500	222,915	-	9,278,415
Highway	6,678,782	826,804	-	7,505,586
Public Works	44,542,888	-	-	44,542,888
Library	12,084	-	-	12,084
Recreation	5,195,722	44,484	-	5,240,206
Health	1,070,453	-	-	1,070,453
Airport	21,375,571	-	-	21,375,571
City Wide	1,811,800	220,000	-	2,031,800
Storm Water Utilities	4,499,138	930,292	-	5,429,430
Water Pollution Control	16,350,891	275,480	-	16,626,371
Water Department	6,989,297	22,919	-	7,012,216
Total General Capital Assets	129,974,320	2,649,189	-	132,623,509
Less: Accumulated Depreciation	<u>(63,373,580)</u>	<u>(2,046,252)</u>	-	<u>(65,419,832)</u>
Net General Capital Assets	<u>\$ 66,600,740</u>	<u>\$ 602,937</u>	<u>\$ -</u>	<u>\$ 67,203,677</u>

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



Proven Expertise and Integrity

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

City Council
City of South Burlington
South Burlington, Vermont

We have audited, in accordance with generally accepted auditing standards 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 City of South Burlington, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of South Burlington, Vermont's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of South Burlington, Vermont'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 City of South Burlington, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of South Burlington, Vermont's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 City of South Burlington, Vermont'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 instance of noncompliance or other matter 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.

A handwritten signature in cursive script that reads "RHR Smith & Company".

Buxton, Maine
Vermont Registration No. 092.0000697
December 14, 2016