

Audited Financial Statements
and Other Financial Information

City of South Burlington, Vermont

June 30, 2018



Proven Expertise and Integrity

CITY OF SOUTH BURLINGTON, VERMONT

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JUNE 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City of South Burlington, Vermont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting 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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 12 and 83 through 92 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and 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 March 26, 2019, 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
March 26, 2019

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

(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, 2018. 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 program expenditures.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the City of South Burlington include the recreation program, ambulance fund, 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, City Center - TIF District fund, Capital Improvement Reserve fund and the Recreation Capital Projects fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the 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 five proprietary funds: the recreation programs, the ambulance fund, 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 employee pension trust fund.

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, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Changes in Net Pension Liability and Related Ratios - Employees' Pension Plan, a Schedule of Contributions - Employees' Pension Plan, a Schedule of Investment Returns, a Schedule of Funding Progress - Employees' Pension Plan, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB and Notes to Required Supplementary Information.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the City's governmental activities. The City's total net position for governmental funds is \$28.87 million compared to \$28.02 million in the prior year, an increase of \$846,690. For the business-type activities total net position is \$18.93 million as compared to \$16.94 million in the prior year, an increase of \$1,990,778.

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 \$3.19 million at the end of this year for governmental activities and \$4.14 million for the business-type activities.

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

	2018		2017	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Assets:				
Current Assets	\$ 17,905,247	\$ 5,203,216	\$ 12,778,351	\$ 7,118,708
Capital Assets	55,481,225	16,005,382	55,447,167	12,490,931
Total Assets	<u>73,386,472</u>	<u>21,208,598</u>	<u>68,225,518</u>	<u>19,609,639</u>
Deferred Outflows of Resources:				
Deferred Amount on Pensions	4,394,450	-	4,993,379	-
Total Deferred Inflows of Resources	<u>4,394,450</u>	<u>-</u>	<u>4,993,379</u>	<u>-</u>
Liabilities:				
Current Liabilities	6,042,946	1,424,182	5,537,527	1,454,549
Long-term Debt Outstanding	41,339,777	858,226	38,315,185	1,219,678
Total Liabilities	<u>47,382,723</u>	<u>2,282,408</u>	<u>43,852,712</u>	<u>2,674,227</u>
Deferred Inflows of Resources:				
Deferred Amount on Pensions	1,414,975	-	1,317,179	-
Deferred Revenue	112,328	-	24,800	-
Total Deferred Inflows of Resources	<u>1,527,303</u>	<u>-</u>	<u>1,341,979</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	19,640,515	14,785,704	22,377,230	10,909,842
Restricted for: Special Revenue Funds	5,326,356	-	1,753,806	-
Permanent Funds	452,315	-	476,297	-
Capital Projects Funds	260,689	-	260,689	-
Unrestricted	<u>3,191,021</u>	<u>4,140,486</u>	<u>3,156,184</u>	<u>6,025,570</u>
Total Net Position	<u>\$ 28,870,896</u>	<u>\$ 18,926,190</u>	<u>\$ 28,024,206</u>	<u>\$ 16,935,412</u>

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

	2018		2017	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 4,206,173	\$ 8,495,922	\$ 3,556,415	\$ 8,921,394
Operating grants and contributions	10,651,494	1,968,959	6,996,260	77,404
<i>General Revenues:</i>				
Taxes	56,230,250	-	54,643,242	-
Investment income	-	1,044	-	1,167
Miscellaneous	306,274	141,303	210,144	52,455
Total Revenues	71,394,191	10,607,228	65,406,061	9,052,420
Expenses				
General government	8,312,500	-	7,632,900	-
Public safety	8,998,766	-	8,344,614	-
Public works	3,087,373	-	2,910,794	-
Social services	685,204	-	702,203	-
Recreation and culture	1,359,420	-	1,253,772	-
Program expenditures	838,090	-	437,037	-
Capital outlay	-	-	251,598	-
Interest expense	769,337	-	648,902	-
Unallocated depreciation	22,964	-	22,964	-
On-behalf payments - State of Vermont	10,405,951	-	6,675,025	-
Education	37,339,956	-	36,828,469	-
Enterprise funds	-	7,344,390	-	7,429,986
Total Expenses	71,819,561	7,344,390	65,708,278	7,429,986
Total Transfers	1,272,060	(1,272,060)	1,269,458	(1,269,458)
Change in Net Position	846,690	1,990,778	967,241	352,976
Net Position - July 1	28,024,206	16,935,412	27,056,965	16,582,436
Net Position - June 30	\$ 28,870,896	\$ 18,926,190	\$ 28,024,206	\$ 16,935,412

Revenues and Expenses

Revenues for the City's governmental activities increased by 9.09%, while total expenses increased by 9.33%. General government, public safety, public works, program expenses and on-behalf payments experienced the largest increases while capital outlay had the largest decrease.

The revenues for the proprietary fund increased by 17.18% while expenses decreased by 1.15%. The proprietary fund has five enterprise funds that all have a positive net position with the exception of the recreation fund and the ambulance fund.

The proprietary funds had a change in net position for the current year of \$1,990,778.

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,

	<u>2018</u>	<u>2017</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 718,709	\$ 473,795
Unassigned	679,442	876,931
City Center - TIF District Fund:		
Restricted	3,546,549	194,542
Capital Improvement Reserve Fund:		
Committed	2,751,787	1,750,929
Recreation Capital Projects Fund:		
Committed	1,143,374	1,130,117
Subtotal Major Funds	<u>8,839,861</u>	<u>4,231,772</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	108	-
Restricted	1,779,807	1,559,264
Committed	1,547,126	1,675,020
Assigned	316,981	288,612
Unassigned	(123,435)	(128,794)
Capital Projects Funds:		
Restricted	260,689	260,689
Committed	1,003,787	938,686
Unassigned	(12,659)	(12,659)
Permanent Funds:		
Restricted	452,315	476,297
Committed	4,026	10,677
Unassigned	(9,829)	(9,078)
Subtotal Nonmajor Funds	<u>5,218,916</u>	<u>5,058,714</u>
Total Governmental Funds	<u>\$ 14,058,777</u>	<u>\$ 9,485,028</u>

The general fund total fund balance increased by \$47,425 from the prior fiscal year due to a negative budgetary balance in revenues that was exceeded by a positive budgetary balance in expenditures. The City Center - TIF District Fund total fund balance increased by \$3,352,007 due to bond proceeds that exceeded capital expenditures. The Capital Improvement Reserve Fund total fund balance increased by \$1,000,858 due to transfers from the general fund that exceeded expenditures. The Recreation Capital Projects Fund total fund balance increased by \$13,257 due to other income and the nonmajor fund total fund balances increased by \$160,202 from the prior fiscal year due to revenues and transfers in that exceeded expenditures and transfers out.

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 \$1,546,830. This was a result of all revenue categories being under-received with the exception of transfers from other funds.

The general fund actual expenditures were under the budget by \$1,594,255. All expenditures were under budget with the exception of general government and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the City increased by \$3,548,499 from the prior fiscal year. This increase was a result of current year capital additions of \$6,027,504 less depreciation expense of \$2,479,005. 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,

	2018	2017
Land	\$ 7,313,663	\$ 7,211,163
Art work	16,000	-
Construction in progress	28,790,451	28,781,226
Buildings, building improvements and land improvements	9,731,292	9,626,691
Machinery, equipment and vehicles	9,066,148	8,988,281
Infrastructure	16,569,053	13,330,747
Total	\$ 71,486,607	\$ 67,938,108

Debt

At June 30, 2018, the City had \$37.06 million in bonds and notes outstanding versus \$34.65 million last year. Other obligations include 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,486,269	\$ 1,337,319	\$ 16,823,588
Investments	1,356,878	-	1,356,878
Taxes receivable (net of allowance for uncollectibles)	373,223	-	373,223
Due from water - billed	-	1,150,624	1,150,624
Due from water - unbilled	-	1,368,539	1,368,539
Other receivables	1,061,533	218,971	1,280,504
Inventory	35,960	36,290	72,250
Prepaid items	682,857	-	682,857
Internal balances	(1,091,473)	1,091,473	-
Total current assets	<u>17,905,247</u>	<u>5,203,216</u>	<u>23,108,463</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	35,592,889	527,225	36,120,114
Depreciable assets, net of accumulated depreciation	19,888,336	15,478,157	35,366,493
Total noncurrent assets	<u>55,481,225</u>	<u>16,005,382</u>	<u>71,486,607</u>
TOTAL ASSETS	<u>73,386,472</u>	<u>21,208,598</u>	<u>94,595,070</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on pensions	4,394,450	-	4,394,450
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,394,450</u>	<u>-</u>	<u>4,394,450</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 77,780,922</u>	<u>\$ 21,208,598</u>	<u>\$ 98,989,520</u>

STATEMENT A (CONTINUED)
CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,014,153	\$ 1,062,730	\$ 3,076,883
Accrued payroll	338,059	-	338,059
Accrued expenses	783,020	-	783,020
Due to taxpayers	319,637	-	319,637
Due to agencies	10,875	-	10,875
Post retirement benefits	246,696	-	246,696
Current portion of long-term obligations	2,330,506	361,452	2,691,958
Total current liabilities	<u>6,042,946</u>	<u>1,424,182</u>	<u>7,467,128</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	24,989,970	858,226	25,848,196
Notes payable	8,633,685	-	8,633,685
Accrued benefit time	642,891	-	642,891
Net pension liability	7,073,231	-	7,073,231
Total noncurrent liabilities	<u>41,339,777</u>	<u>858,226</u>	<u>42,198,003</u>
TOTAL LIABILITIES	<u>47,382,723</u>	<u>2,282,408</u>	<u>49,665,131</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on pensions	1,414,975	-	1,414,975
Deferred revenue	112,328	-	112,328
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,527,303</u>	<u>-</u>	<u>1,527,303</u>
NET POSITION			
Net Investment in capital assets	19,640,515	14,785,704	34,426,219
Restricted for: Special Revenue Funds	5,326,356	-	5,326,356
Permanent Funds	452,315	-	452,315
Capital Projects Funds	260,689	-	260,689
Unrestricted	3,191,021	4,140,486	7,331,507
TOTAL NET POSITION	<u>28,870,896</u>	<u>18,926,190</u>	<u>47,797,086</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 77,780,922</u>	<u>\$ 21,208,598</u>	<u>\$ 98,989,520</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 8,312,500	\$ 1,109,184	\$ -	\$ -	\$ (7,203,316)	\$ -	\$ (7,203,316)
Public safety	8,998,766	1,442,775	-	-	(7,555,991)	-	(7,555,991)
Public works	3,087,373	1,004,299	-	-	(2,083,074)	-	(2,083,074)
Social services	685,204	-	-	-	(685,204)	-	(685,204)
Recreation and culture	1,359,420	156,609	-	-	(1,202,811)	-	(1,202,811)
Education	37,339,956	-	-	-	(37,339,956)	-	(37,339,956)
Program expenditures	838,090	493,306	245,543	-	(99,241)	-	(99,241)
Capital outlay	-	-	-	-	-	-	-
On-behalf payments - State of Vermont	10,405,951	-	10,405,951	-	-	-	-
Interest on long-term debt	769,337	-	-	-	(769,337)	-	(769,337)
Unallocated depreciation	22,964	-	-	-	(22,964)	-	(22,964)
Total governmental activities	<u>71,819,561</u>	<u>4,206,173</u>	<u>10,651,494</u>	<u>-</u>	<u>(56,961,894)</u>	<u>-</u>	<u>(56,961,894)</u>
Business-type activities:							
Recreation programs	119,539	74,672	15,016	-	-	(29,851)	(29,851)
Ambulance fund	133	-	-	-	-	(133)	(133)
Water department	2,398,734	2,463,041	-	-	-	64,307	64,307
Water pollution	3,329,458	3,925,284	742,310	-	-	1,338,136	1,338,136
Storm water utilities	1,496,526	2,032,925	1,211,633	-	-	1,748,032	1,748,032
Total business-type activities	<u>7,344,390</u>	<u>8,495,922</u>	<u>1,968,959</u>	<u>-</u>	<u>-</u>	<u>3,120,491</u>	<u>3,120,491</u>

STATEMENT B (CONTINUED)
CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(56,961,894)</u>	<u>3,120,491</u>	<u>(53,841,403)</u>
General revenues:			
Property taxes, levied for general purposes			
Education	37,339,956	-	37,339,956
Municipal	18,890,294	-	18,890,294
Investment income	-	1,044	1,044
Miscellaneous	306,274	141,303	447,577
Transfers	1,272,060	(1,272,060)	-
Total general revenues and transfers	<u>57,808,584</u>	<u>(1,129,713)</u>	<u>19,338,915</u>
Change in net position	846,690	1,990,778	2,837,468
NET POSITION - JULY 1	<u>28,024,206</u>	<u>16,935,412</u>	<u>44,959,618</u>
NET POSITION - JUNE 30	<u><u>\$ 28,870,896</u></u>	<u><u>\$ 18,926,190</u></u>	<u><u>\$ 47,797,086</u></u>

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

CITY OF SOUTH BURLINGTON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	City Center TIF District Fund	Capital Improvement Reserve Fund	Recreation Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 10,045,588	\$ 5,002,637	\$ -	\$ 126,019	\$ 312,025	\$ 15,486,269
Investments	-	-	-	1,017,355	339,523	1,356,878
Taxes receivable (net of allowance for uncollectibles)	373,223	-	-	-	-	373,223
Other receivables	1,028,380	-	-	-	33,153	1,061,533
Inventory	35,960	-	-	-	-	35,960
Prepaid items	682,749	-	-	-	108	682,857
Due from other funds	4,621,153	-	2,751,787	-	5,605,490	12,978,430
TOTAL ASSETS	\$ 16,787,053	\$ 5,002,637	\$ 2,751,787	\$ 1,143,374	\$ 6,290,299	\$ 31,975,150
LIABILITIES						
Accounts payable	\$ 2,011,976	\$ 2,177	\$ -	\$ -	\$ -	\$ 2,014,153
Accrued payroll	338,059	-	-	-	-	338,059
Accrued expenses	783,020	-	-	-	-	783,020
Due to other funds	11,550,099	1,453,911	-	-	1,065,893	14,069,903
Due to taxpayers	319,637	-	-	-	-	319,637
Due to agencies	5,385	-	-	-	5,490	10,875
TOTAL LIABILITIES	15,008,176	1,456,088	-	-	1,071,383	17,535,647
DEFERRED INFLOWS OF RESOURCES						
Deferred tax revenues	268,398	-	-	-	-	268,398
Deferred revenue	112,328	-	-	-	-	112,328
TOTAL DEFERRED INFLOWS OF RESOURCES	380,726	-	-	-	-	380,726
FUND BALANCES						
Nonspendable	718,709	-	-	-	108	718,817
Restricted	-	3,546,549	-	-	2,492,811	6,039,360
Committed	-	-	2,751,787	1,143,374	2,554,939	6,450,100
Assigned	-	-	-	-	316,981	316,981
Unassigned	679,442	-	-	-	(145,923)	533,519
TOTAL FUND BALANCES	1,398,151	3,546,549	2,751,787	1,143,374	5,218,916	14,058,777
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,787,053	\$ 5,002,637	\$ 2,751,787	\$ 1,143,374	\$ 6,290,299	\$ 31,975,150

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, 2018

	Total Governmental Funds
Total Fund Balances	\$ 14,058,777
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	55,481,225
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	268,398
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	4,394,450
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(26,845,573)
Notes payable	(8,995,137)
Accrued benefit time	(756,342)
Post retirement benefits	(246,696)
Net pension liability	(7,073,231)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	(1,414,975)
Net position of governmental activities	\$ 28,870,896

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, 2018

	General Fund	City Center TIF District Fund	Capital Improvement Reserve Fund	Recreation Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES						
General tax revenue - municipal and education	\$ 56,095,831	\$ 72,940	\$ -	\$ -	\$ -	\$ 56,168,771
Intergovernmental revenue	2,941,933	38,545	-	-	206,998	3,187,476
Charges for services	3,712,867	-	-	-	493,306	4,206,173
Other revenue	73,447	2,637	-	13,257	216,933	306,274
TOTAL REVENUES	62,824,078	114,122	-	13,257	917,237	63,868,694
EXPENDITURES						
Current:						
General government	7,255,720	-	-	-	-	7,255,720
Public safety	8,212,206	-	-	-	-	8,212,206
Public works	2,366,178	-	-	-	-	2,366,178
Social services	681,594	-	-	-	-	681,594
Recreation and culture	1,272,214	-	-	-	-	1,272,214
Education	37,339,956	-	-	-	-	37,339,956
Program expenditures	-	2,371	20,124	-	845,195	867,690
On-behalf payments - State of Vermont	2,941,933	-	-	-	-	2,941,933
Debt service	2,863,903	134,661	-	-	-	2,998,564
Capital outlay	-	1,309,809	299,018	-	22,123	1,630,950
TOTAL EXPENDITURES	62,933,704	1,446,841	319,142	-	867,318	65,567,005
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(109,626)	(1,332,719)	(319,142)	13,257	49,919	(1,698,311)
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	5,000,000	-	-	-	5,000,000
Transfers in	1,536,542	144,726	1,320,000	-	478,200	3,479,468
Transfers (out)	(1,379,491)	(460,000)	-	-	(367,917)	(2,207,408)
TOTAL OTHER FINANCING SOURCES (USES)	157,051	4,684,726	1,320,000	-	110,283	6,272,060
NET CHANGE IN FUND BALANCES	47,425	3,352,007	1,000,858	13,257	160,202	4,573,749
FUND BALANCES - JULY 1	1,350,726	194,542	1,750,929	1,130,117	5,058,714	9,485,028
FUND BALANCES - JUNE 30	\$ 1,398,151	\$ 3,546,549	\$ 2,751,787	\$ 1,143,374	\$ 5,218,916	\$ 14,058,777

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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 4,573,749</u>
<p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p>	
Capital asset acquisitions	1,660,550
Depreciation expense	<u>(1,626,492)</u>
	<u>34,058</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported.</p>	
Taxes and liens receivable	<u>61,479</u>
<p>Deferred outflows of resources is a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds.</p>	
	<u>(598,929)</u>
<p>Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Position</p>	
	<u>(5,000,000)</u>
<p>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.</p>	
	<u>2,229,227</u>
<p>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:</p>	
Accrued benefit time	(58,719)
Net pension liability	<u>(296,379)</u>
	<u>(355,098)</u>
<p>Deferred inflows of resources are an acquisition of net position by the government government that are applicable to a future reporting period and therefore are in the funds.</p>	
	<u>(97,796)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 846,690</u></u>

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

CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2018

	Enterprise Funds					Total
	Recreation Programs	Ambulance	Water Department	Water Pollution	Storm Water Utilities	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 1,337,319	\$ -	\$ -	\$ 1,337,319
Accounts receivable (net of allowance for uncollectibles)	-	-	2,204	-	216,767	218,971
Due from water - billed	-	-	824,955	-	325,669	1,150,624
Due from water - unbilled	-	-	417,773	613,010	337,756	1,368,539
Inventory	-	-	36,290	-	-	36,290
Due from other funds	-	-	-	1,827,065	1,365,757	3,192,822
Total current assets	-	-	2,618,541	2,440,075	2,245,949	7,304,565
Noncurrent assets:						
Construction in progress	-	-	9,225	-	-	9,225
Land, buildings, mains, and other water assets	-	-	5,349,803	16,746,971	7,904,206	30,000,980
Vehicles and equipment	-	-	1,788,910	947,744	1,398,275	4,134,929
Total capital assets	-	-	7,147,938	17,694,715	9,302,481	34,145,134
Less: accumulated depreciation	-	-	(3,864,953)	(12,814,415)	(1,460,384)	(18,139,752)
Total noncurrent assets	-	-	3,282,985	4,880,300	7,842,097	16,005,382
TOTAL ASSETS	\$ -	\$ -	\$ 5,901,526	\$ 7,320,375	\$ 10,088,046	\$ 23,309,947

CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 JUNE 30, 2018

	Enterprise Funds					Total
	Recreation Programs	Ambulance	Water Department	Water Pollution	Storm Water Utilities	
LIABILITIES AND NET POSITION						
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ 1,062,730	\$ -	\$ -	\$ 1,062,730
Due to other funds	100,853	517	-	287,984	1,711,995	2,101,349
Current portion of long-term debt	-	-	116,452	245,000	-	361,452
Total current liabilities	100,853	517	1,179,182	532,984	1,711,995	3,525,531
Noncurrent liabilities:						
Noncurrent portion of long-term obligations:						
Bonds payable	-	-	613,226	245,000	-	858,226
Total noncurrent liabilities	-	-	613,226	245,000	-	858,226
TOTAL LIABILITIES	100,853	517	1,792,408	777,984	1,711,995	4,383,757
NET POSITION						
Net investment in capital assets	-	-	2,553,307	4,390,300	7,842,097	14,785,704
Unrestricted (deficit)	(100,853)	(517)	1,555,811	2,152,091	533,954	4,140,486
TOTAL NET POSITION	(100,853)	(517)	4,109,118	6,542,391	8,376,051	18,926,190
TOTAL LIABILITIES AND NET POSITION	\$ -	\$ -	\$ 5,901,526	\$ 7,320,375	\$ 10,088,046	\$ 23,309,947

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, 2018

	Enterprise Funds					Total
	Recreation Programs	Ambulance	Water Department	Water Pollution	Storm Water Utilities	
OPERATING REVENUES						
Intergovernmental revenue	\$ 15,016	\$ -	\$ -	\$ 742,310	\$ 1,211,633	\$ 1,968,959
Water sales	-	-	2,328,743	-	-	2,328,743
Charges for services	74,672	-	134,298	3,925,284	2,032,925	6,167,179
Other	500	-	19,546	12,702	108,555	141,303
TOTAL OPERATING REVENUES	90,188	-	2,482,587	4,680,296	3,353,113	10,606,184
OPERATING EXPENSES						
Salaries and benefits	64,079	-	473,372	1,386,025	684,124	2,607,600
Professional and contracted services	47,927	-	158,701	193,433	103,669	503,730
Supplies, materials and fuel	4,140	133	24,317	498,439	19,741	546,770
Water purchases	-	-	1,310,950	-	-	1,310,950
Repairs and maintenance	-	-	123,417	177,055	106,456	406,928
Utilities	2,581	-	-	472,306	3,449	478,336
Depreciation	-	-	195,863	357,444	299,206	852,513
Administrative services	-	-	47,500	150,336	134,392	332,228
Liability insurance	-	-	3,445	-	-	3,445
Miscellaneous	812	-	34,529	94,420	145,489	275,250
TOTAL OPERATING EXPENSES	119,539	133	2,372,094	3,329,458	1,496,526	7,317,750
OPERATING INCOME (LOSS)	(29,351)	(133)	110,493	1,350,838	1,856,587	3,288,434

STATEMENT H (CONTINUED)

CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds					Total
	Recreation Programs	Ambulance	Water Department	Water Pollution	Storm Water Utilities	
NONOPERATING INCOME (EXPENSE)						
Transfers in	55,000	-	98,660	-	-	153,660
Transfers (out)	(55,000)	-	-	(1,321,390)	(49,330)	(1,425,720)
Interest income	-	-	1,044	-	-	1,044
Interest expense	-	-	(26,640)	-	-	(26,640)
TOTAL NONOPERATING INCOME (EXPENSE)	-	-	73,064	(1,321,390)	(49,330)	(1,297,656)
CHANGE IN NET POSITION (DEFICITS)	(29,351)	(133)	183,557	29,448	1,807,257	1,990,778
NET POSITION (DEFICITS) - JULY 1	(71,502)	(384)	3,925,561	6,512,943	6,568,794	16,935,412
NET POSITION (DEFICITS) - JUNE 30	<u>\$ (100,853)</u>	<u>\$ (517)</u>	<u>\$ 4,109,118</u>	<u>\$ 6,542,391</u>	<u>\$ 8,376,051</u>	<u>\$ 18,926,190</u>

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, 2018

	Enterprise Funds					Total
	Recreation Programs	Ambulance	Water Department	Water Pollution	Storm Water Utilities	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 74,672	\$ -	\$ 2,359,941	\$ 2,787,976	\$ 340,206	\$ 5,562,795
Intergovernmental receipts	15,016	-	-	742,310	1,211,633	1,968,959
Other receipts	500	-	19,546	12,702	108,555	141,303
Payments to employees	(64,079)	-	(473,372)	(1,437,312)	(684,124)	(2,658,887)
Payments to suppliers	(26,109)	-	(1,640,275)	(1,298,005)	934,928	(2,029,461)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	265,840	807,671	1,911,198	2,984,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund transfers	-	-	98,660	(1,321,390)	(49,330)	(1,272,060)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	98,660	(1,321,390)	(49,330)	(1,272,060)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest income	-	-	1,044	-	-	1,044
(Purchase) sale of fixed assets	-	-	(70,993)	(1,068,346)	(3,227,625)	(4,366,964)
Interest payments on bond payable	-	-	(26,640)	-	-	(26,640)
Principal payments on bond/note payable	-	-	(116,411)	(245,000)	-	(361,411)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(213,000)	(1,313,346)	(3,227,625)	(4,753,971)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	151,500	(1,827,065)	(1,365,757)	(3,041,322)
CASH AND CASH EQUIVALENTS - JULY 1	-	-	1,185,819	1,827,065	1,365,757	4,378,641
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ 1,337,319	\$ -	\$ -	\$ 1,337,319

CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds					Total
	Recreation Programs	Ambulance	Water Department	Water Pollution	Storm Water Utilities	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (29,351)	\$ (133)	\$ 110,493	\$ 1,350,838	\$ 1,856,587	\$ 3,288,434
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	-	-	195,863	357,444	299,206	852,513
Changes in operating assets and liabilities:						
(Increase) decrease in due from water - billed	-	-	(820,329)	322,805	(100,122)	(597,646)
(Increase) decrease in due from water - unbilled	-	-	(6,816)	(12,512)	(13,073)	(32,401)
(Increase) decrease in accounts receivable	-	-	721,685	-	(213,767)	507,918
(Increase) decrease in inventory	-	-	2,360	-	-	2,360
(Increase) decrease in due from other funds	-	-	-	(1,447,601)	(1,365,757)	(2,813,358)
(Decrease) increase in accounts payable	-	-	62,584	-	(41,705)	20,879
(Decrease) increase in accrued payroll	-	-	-	(51,287)	-	(51,287)
(Decrease) increase in due to other funds	29,351	133	-	287,984	1,489,829	1,807,297
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ -	\$ 265,840	\$ 807,671	\$ 1,911,198	\$ 2,984,709

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

CITY OF SOUTH BURLINGTON, VERMONT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Employee Pension Trust
ASSETS	
Cash:	
Money market funds	\$ 17,296
Investments, at fair value:	
U.S. Stocks	16,743,330
International Stocks	6,462,481
Fixed income	10,914,754
TOTAL ASSETS	<u>\$ 34,137,861</u>
NET POSITION	
Restricted - held in trust for pension benefits	\$ 34,137,861
TOTAL NET POSITION	<u>\$ 34,137,861</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	Employee Pension Trust
ADDITIONS	
Contributions:	
Employer	\$ 1,246,468
Employee	337,958
Total contributions	<u>1,584,426</u>
Investment earnings:	
Income earned	792,328
Net increase (decrease) in fair value of investments	<u>3,403,949</u>
Total investment earnings, net	<u>4,196,277</u>
Total additions	<u>5,780,703</u>
DEDUCTIONS	
Benefit payments	1,615,723
Administrative expenses	<u>167,092</u>
Total deductions	<u>1,782,815</u>
CHANGE IN NET POSITION	3,997,888
NET POSITION - JULY 1	<u>30,139,973</u>
NET POSITION - JUNE 30	<u>\$ 34,137,861</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, public safety, public works, education, social services, recreation and culture and program expenditures.

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 No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

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

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The 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, ambulance fund, 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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

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

The 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:

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- b. The City Center - TIF District Fund is used to account for the financial resources to be used for the special tax increment financing account for the City Center projects.
- c. The Capital Improvement Reserve Fund is used to account for the financial resources to be used for capital improvement projects.
- d. The Recreation Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment for recreation purposes.

Nonmajor funds:

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

1. Accrual

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

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

Budget

The 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.

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

Revenues per budgetary basis	\$ 60,146,627
Add: On-behalf payments	2,941,933
Total GAAP basis	<u>\$ 63,088,560</u>
Expenditures per budgetary basis	\$ 60,099,202
Add: On-behalf basis	2,941,933
Total GAAP basis	<u>\$ 63,041,135</u>

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

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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$3,799,667 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

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, 2018

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.

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.

Estimated useful lives are as follows:

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes and bonds payable, accrued benefit time 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, 2018, the City's liability for compensated absences is \$756,342.

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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, information about the fiduciary net position of the Vermont State Teachers' Retirement System (VSTRS). Additions

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to/deductions from the VSTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by VSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Deferred tax revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. The City also has deferred revenue which arises under both the modified accrual basis and the 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 5, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the City. Taxes were due on August 15, 2017, November 15, 2017 and March 15, 2018. Interest on

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

unpaid taxes commenced on August 16, 2017, November 16, 2017 and March 16, 2018. Taxes unpaid after the due date are considered delinquent. An 8% penalty is assessed and interest is charged at 1% per annum. The penalty is charged once while interest accrues on the 15th of each month.

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/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The 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, 2018

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, 2018, the City's cash balance of \$16,840,884 was comprised of bank deposits and cash equivalents totaling \$18,886,587. These bank deposits were comprised of \$643,892 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$18,242,695 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	\$ 448,713
Sweep accounts	12,430,529
Money market accounts	6,007,345
	<u>\$ 18,886,587</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 \$822,227 by Securities Investor Protection Corporation (SIPC). The certificates of deposit of \$1,017,355 were collateralized with securities held by financial institutions in the City's name. The remaining investments of \$33,637,861 were uncollateralized and uninsured.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Equity securities:				
Common stock - domestic	\$ 16,743,330	\$ 16,743,330	\$ -	\$ -
Common stock - international	6,462,481	6,462,481	-	-
Mutual funds:				
Equity - domestic	183,834	183,834	-	-
Fixed income - domestic	11,070,443	11,070,443	-	-
Certificates of deposit	1,017,355	-	1,017,355	-
	\$ 35,477,443	\$ 34,460,088	\$ 1,017,355	\$ -

Fair Value Hierarchy

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

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Common stock - domestic	\$ 16,743,330	\$ 16,743,330	\$ -	\$ -
Common stock - international	6,462,481	6,462,481	-	-
Mutual funds - domestic and foreign	11,254,277	11,254,277	-	-
Total equity securities	34,460,088	34,460,088	-	-
Total investments by fair value level	\$ 34,460,088	\$ 34,460,088	\$ -	\$ -

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level 2 or 3 investments. Certificates of deposit held with local financial institutions for \$1,017,355 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018 consisted of the following individual fund receivables and payables.

	<u>Receivables</u> (Due from)	<u>Payables</u> (Due to)
General fund	\$ 4,621,153	\$ 11,550,099
City center - TIF district fund	-	1,453,911
Capital improvement reserve fund	2,751,787	-
Nonmajor special revenue funds	4,455,639	1,043,413
Nonmajor capital project funds	1,028,128	12,659
Nonmajor permanent funds	121,723	9,821
Enterprise funds	3,192,822	2,101,349
	<u>\$ 16,171,252</u>	<u>\$ 16,171,252</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Transfers/ Disposals	Balance, 6/30/18
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 6,693,163	\$ 102,500	\$ -	\$ 6,795,663
Art work	-	16,000	-	16,000
Construction in progress	28,781,226	-	-	28,781,226
	<u>35,474,389</u>	<u>118,500</u>	<u>-</u>	<u>35,592,889</u>
Depreciated assets:				
Land Improvements	116,187	669,920	-	786,107
Buildings	16,206,462	-	-	16,206,462
Building improvements	967,313	58,872	-	1,026,185
Machinery & equipment	4,502,747	474,104	(171,000)	4,805,851
Vehicles	5,646,113	339,154	(124,247)	5,861,020
Infrastructure	42,869,496	-	-	42,869,496
	<u>70,308,318</u>	<u>1,542,050</u>	<u>(295,247)</u>	<u>71,555,121</u>
Less: accumulated depreciation	<u>(50,335,540)</u>	<u>(1,626,492)</u>	<u>295,247</u>	<u>(51,666,785)</u>
	<u>19,972,778</u>	<u>(84,442)</u>	<u>-</u>	<u>19,888,336</u>
Net capital assets	<u>\$ 55,447,167</u>	<u>\$ 34,058</u>	<u>\$ -</u>	<u>\$ 55,481,225</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 518,000	\$ -	\$ -	\$ 518,000
Construction in progress	-	9,225	-	9,225
	<u>518,000</u>	<u>9,225</u>	<u>-</u>	<u>527,225</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	1,228,121	344,494	-	1,572,615
Machinery & equipment	7,776,642	116,761	-	7,893,403
Infrastructure	1,514,109	320,631	-	1,834,740
Storm water utilities	4,143,370	3,575,843	-	7,719,213
	<u>29,260,180</u>	<u>4,357,729</u>	<u>-</u>	<u>33,617,909</u>
Less: accumulated depreciation	<u>(17,287,239)</u>	<u>(852,513)</u>	<u>-</u>	<u>(18,139,752)</u>
	<u>11,972,941</u>	<u>3,505,216</u>	<u>-</u>	<u>15,478,157</u>
Net capital assets	<u>\$ 12,490,941</u>	<u>\$ 3,514,441</u>	<u>\$ -</u>	<u>\$ 16,005,382</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation

Fire	\$ 445,019
Ambulance	11,925
Public works	411,503
General government	4,957
Health	3,610
Police	329,616
Recreation	86,868
Highway	309,692
Library	338
City-wide	22,964
Subtotal governmental	<u>1,626,492</u>
Water department	195,863
Water pollution control	357,444
Storm water utilities	299,206
Subtotal business-type	<u>852,513</u>
Total depreciation expense	<u><u>\$ 2,479,005</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, 2018:

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable	\$ 23,305,736	\$ 5,000,000	\$ (1,460,163)	\$ 26,845,573	\$ 1,855,603
Notes payable	9,764,201	-	(769,064)	8,995,137	361,452
Accrued benefit time	697,623	58,719	-	756,342	113,451
Net pension liability	6,776,852	296,379	-	7,073,231	-
Total Governmental Activities	<u>\$ 40,544,412</u>	<u>\$ 5,355,098</u>	<u>\$ (2,229,227)</u>	<u>\$ 43,670,283</u>	<u>\$ 2,330,506</u>
<u>Business-type Activities:</u>					
Bonds payable	\$ 1,581,089	\$ -	\$ (361,411)	\$ 1,219,678	\$ 361,452
Total Business-type Activities	<u>\$ 1,581,089</u>	<u>\$ -</u>	<u>\$ (361,411)</u>	<u>\$ 1,219,678</u>	<u>\$ 361,452</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

	Governmental Activities	Business-type Activities
<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.	\$ 295,657	\$ 64,405
\$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.	-	490,000
\$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.	524,885	665,273
\$5,400,000, 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2030. Interest is charged at a rate of 4.34% per annum. Annual principal installments are \$360,000.	4,680,000	-
\$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.	785,819	-
\$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.	15,559,212	-
\$5,000,000, 2017 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2037. Interest is charged at 3.39% per annum. Annual principal installments are \$333,333 beginning in November 2023.	5,000,000	-
	\$ 26,845,573	\$ 1,219,678

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding notes payable:

<u>Notes</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$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.	\$ 6,160,824	\$ -
\$400,000 Note payable to City of South Burlington, VT Enterprise Fund - Sewer with interest at 1.25%. Note matures on October 1, 2018 with annual installments of \$150,000 for the first two years of the note and the remaining balance due, including interest, as the final payment in year three.	100,000	-
\$1,900,000 Note payable to Merchants Bank with interest at 1.93%. Note matures on October 17, 2026 with annual principal installments of \$190,000, semi-annual interest payments.	1,710,000	-
\$1,125,000 Note payable to T.D. Bank, N.A. with interest at 2.15%. Note matures on July 1, 2026 with varying annual principal and interest installments.	1,024,313	-
	<u>\$ 8,995,137</u>	<u>\$ -</u>

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

Governmental activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 2,217,055	\$ 1,021,804	\$ 3,238,859
2020	2,155,361	1,008,706	3,164,067
2021	2,196,550	957,052	3,153,602
2022	2,139,920	897,391	3,037,311
2023	2,183,249	831,250	3,014,499
2024-2028	12,743,721	3,006,438	15,750,159
2029-2033	10,538,188	1,077,603	11,615,791
2034-2038	1,666,666	152,817	1,819,483
	<u>\$ 35,840,710</u>	<u>\$ 8,953,061</u>	<u>\$ 44,793,771</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT (CONTINUED)

Business-type activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 361,452	\$ 22,264	\$ 383,716
2020	361,452	16,302	377,754
2021	116,452	14,253	130,705
2022	95,016	10,379	105,395
2023	95,016	5,038	100,054
2024-2028	190,290	(25,633)	164,657
	<u>\$ 1,219,678</u>	<u>\$ 42,603</u>	<u>\$ 1,262,281</u>

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the City had the following nonspendable fund balances:

General fund:	
Inventory	\$ 35,960
Prepaid items	682,749
Nonmajor special revenue funds (Schedule D)	108
	<u>\$ 718,817</u>

NOTE 7 - RESTRICTED FUND BALANCES

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

City center - TIF district fund	\$ 3,546,549
Nonmajor special revenue funds (Schedule D)	1,779,807
Nonmajor capital projects funds (Schedule F)	260,689
Nonmajor permanent funds (Schedule H)	452,315
	<u>\$ 6,039,360</u>

NOTE 8 - COMMITTED FUND BALANCES

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

Capital improvement reserve fund	\$ 2,751,787
Recreation capital projects fund	1,143,374
Nonmajor special revenue funds (Schedule D)	1,547,126
Nonmajor capital projects funds (Schedule F)	1,003,787
Nonmajor permanent funds (Schedule H)	4,026
	<u>\$ 6,450,100</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - ASSIGNED FUND BALANCES

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

Nonmajor special revenue funds (Schedule D)	<u>\$ 316,981</u>
	<u><u>\$ 316,981</u></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.

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, 2018. 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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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.

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, 2018, the actual liability for retired employees is \$756,342 and the contingent liability for active employees has been estimated at \$3,321,075.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the plan membership consisted of the following:

<u>Membership</u>	<u>Public Safety</u>	<u>Non-Public Safety Group</u>
Retired members currently receiving benefits	36	39
Terminated vested or inactive but still employed	17	31
Actively employed members	74	30
Total membership	<u>127</u>	<u>100</u>

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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:

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>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<i>Plan Provisions</i>	Public Safety Employees	Non-public Safety Employees
<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>	<u>Years of Service at Later of June 30, 2002 or Retirement</u>	<u>PIA Offset Percentage</u>
	25 or less	50%
	26	45%
	27	40%
	28	35%
	29	30%
	30 or more	25%
<i>Plan compensation</i>		<p>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</p>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<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

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, 2018 of \$1,246,468 was made in accordance with actuarially determined requirements through an actuarial valuation performed as of July 1, 2017. This contribution represents 17.70% of covered payroll.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2018, 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, 2018:

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, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Rate of return - For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.25%. 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, 2017, 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, 2018 were as follows:

Total pension liability	\$ 40,503,422
Plan fiduciary net position	34,137,861
Net pension liability	<u>\$ 6,365,561</u>

Plan fiduciary net position as a percentage of the total pension liability	84.28%
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Significant Actuarial Assumptions and Methods

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Actuarial valuation date</i>	July 1, 2017	
<i>Valuation interest (pre- and post-retirement)</i>	7.25%	
<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, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

IRC Section 401(a)(17) maximum compensation limit	\$270,000
IRC Section 415(b) maximum benefit limit	\$215,000
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, 2017 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 7.25%. 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, 2018

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 7.25%, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Discount rate	6.25%	7.25%	8.25%
City's proportionate share of the net pension liability	\$ 11,659,764	\$ 6,365,561	\$ 1,968,750

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, 2018, the City recognized pension expense of \$2,170,376. At June 30, 2018, 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	\$ 1,387,421	\$ -
Changes of assumptions	1,219,755	326,439
Net difference between projected and actual earnings on pension plan investments	1,321,766	1,064,716
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 3,928,942</u>	<u>\$ 1,391,155</u>

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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:

Plan year ended June 30:		
2018	\$	1,041,023
2019		705,651
2020		212,454
2021		413,897
2022		164,763
Thereafter		-

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 City 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, 2017 (the most recent period available), 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, 2018

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, 2018

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, 2018

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 City but are the liability of the State of Vermont. VSTRS is funded through State and employee contributions and trust fund investment earnings; and the City 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 City’s employees included in the teacher’s retirement plan which approximates \$2,941,933 or 13.58% of total payroll for employees covered under the plan.

Employee contribution rates by plan group follow:

VSTRS	Group A	Group C – Group # 1	Group C – Group # 2
Employee Contributions	5.5% of gross salary	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14	5.0% of gross salary with 5 or more years of service as of 7/1/14; 6.0% of gross salary if less than 5 years of service as of 7/1/14

Employee contributions totaled \$1,132,688 during the year and were paid by the City to the State of Vermont. The City has no other liability under the plan. The City’s total payroll for all employees covered under this plan was \$21,663,717 for the year ended June 30, 2018.

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
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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 City 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 Cities 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, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

The City 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 Reduction	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, 2018

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	4.875% of gross salary	10.0% of gross salary	11.35% of gross salary
Employer Contributions	4.0% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% of gross salary

Employee contributions are withheld pre income tax by the City and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2018, and 2017 totaled \$108,408 and \$85,549, respectively. The City contributed \$122,306 and \$95,389 for the years ended June 30, 2018 and 2017, respectively. The City's total payroll for the year ended June 30, 2018 for all employees covered under this plan was \$2,223,744.

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 City does not contribute directly to VSTRS, no net pension liability was recorded at June 30, 2018. The State's portion of the collective net pension liability that was associated with the City was as follows:

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>47,554,360</u>
Total	<u>\$ 47,554,360</u>

The State of Vermont's proportionate share of the net pension liability associated with the City is equal to the collective net pension liability, actuarially measured as of June 30, 2017, multiplied by the City's proportionate share percentage. The City's proportionate share percentage was based on its reported salaries to the total reported salaries for all participating employers. At June 30, 2017, the City's proportion was 3.20792%, which was a decrease of 0.06425% from its proportion measured as of June 30, 2016.

VMERS Plan

At June 30, 2018, the City reported a liability of \$669,756 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net pension liabilities were based on a projection of the City's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2017, the City's proportion was 0.52042% for VMERS, which was an increase of 0.0641% from its proportion measured as of June 30, 2016 for VMERS.

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

For the year ended June 30, 2018, the City recognized pension expense of \$6,177,798 and revenue of \$6,177,798 for support provided by the State of Vermont for the VSTRS plan. In the same period, the City recognized net pension expense of \$68,994 for the VMERS plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VSTRS		VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 10,295	\$ 17,519
Changes of assumptions	-	-	148,149	-
Net difference between projected and actual earnings on pension plan investments	-	-	117,866	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	66,892	6,301
Contributions subsequent to the measurement date	-	-	122,306	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 465,508</u>	<u>\$ 23,820</u>

\$122,306 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VSTRS	VMERS
Plan year ended June 30:		
2018	\$ -	\$ 112,408
2019	-	159,803
2020	-	44,613
2021	-	2,558
2022	-	-
Thereafter	-	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2014:

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Investment Rate of Return: For both plans, 7.95% per annum.

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

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	8.15%
30	6.84%
35	5.97%
40	5.29%
45	4.80%
50	4.46%
55	4.22%
60	4.12%
64	4.12%

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

Deaths After Retirement: The VSTRS plan used the RP-2000 Mortality Tables projected to 2029 using Scale BB for terminated vested members and beneficiaries and retirees; the RP-2000 Disabled Life Table with projection to 2020 using Scale AA for disabled retirees. The tables used contain a margin to reflect anticipated mortality improvement after the valuation date

Mortality rates for active participants in the VMERS plan for Groups A, B, C and D were based on the RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB. Groups A, B, and C with a 60% Blue Collar and 40% White Collar adjustment and Group D with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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).

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, 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, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.95% for the VSTRS plan 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.95% for the VSTRS plan and the VMERS plan, 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 (6.95%) or 1 percentage point higher (8.95%) than the current rate:

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VSTRS:</u>			
Discount rate	6.95%	7.95%	8.95%
City's proportionate share of the net pension liability	\$ -	\$ -	\$ -
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
City's proportionate share of the net pension liability	\$ 1,263,497	\$ 707,670	\$ 246,700

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 City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City 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, 2018

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 2018, 2017 and 2016 were \$506,796, \$317,825 and \$253,776, respectively.

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Plan Description

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

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2017 (the most recent period available), the plan consisted of 266 participating employers.

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

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members. The Vermont State Agency of Administration issues a publicly

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the VSTRS. That report may be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

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

Contributions

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

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

OPEB Liabilities

The State is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined in GASB No. 75 and the State is treated as a nonemployer to VSTRS. Since the School District does not contribute directly to VSTRS, no net OPEB liability was recorded at June 30, 2018. The State's portion of the collective net OPEB liability that was associated with the School District was as follows:

City's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the City		<u>23,398,896</u>
Total	\$	<u>23,398,896</u>

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

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

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

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

Discount Rate

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Healthcare Trend Rate

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

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

Actuarial Methods and Assumptions

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

Actuarial Cost Method

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

Amortization

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Asset Valuation Method

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

The long-term expected rate of return on both plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class. These best estimate ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

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

Assumptions

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Changes in Net OPEB Liability

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

Changes in Assumptions

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

OPEB Plan Fiduciary Net Position

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

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 - DEFICIT FUND BALANCES

At June 30, 2018 the City had the following deficit fund balances:

Nonmajor funds:	
Police off-duty work (206)	\$ 15,060
Mobile data terminals (245)	49,972
Infrastructure upgrade (250)	5,799
MPG 2014 Chamberlain (253)	2,180
Human trafficking grant (256)	9,666
Tree maintenance/replacement (265)	21,284
BYFAE Jag Grant (278)	2,262
LED signage/crosswalks (283)	15,409
Highway safety grant (290)	1,803
Kennedy Drive reconstruction (303)	6,991
Hayes Avenue stormwater (328)	5,668
Community chorus	8,015
Community music festival	75
Total nonmajor funds	<u>\$ 144,109</u>

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

NOTE 16 - 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.

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.

CITY OF SOUTH BURLINGTON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 - 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.

Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Changes in Net Pension Liability and Related Ratios - Employees' Pension Plan
- Schedule of Contributions - Employees' Pension Plan
- Schedule of Investment Returns
- Schedule of Funding Progress - Employee Pension Plan
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- 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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,350,726	\$ 1,350,726	\$ 1,350,726	\$ -
Resources (Inflows):				
General tax revenue - municipal and education	56,137,769	56,137,769	56,095,831	(41,938)
Charges for services	5,099,855	5,099,855	3,712,867	(1,386,988)
Other revenue	35,000	35,000	73,447	38,447
Debt proceeds	246,500	246,500	-	(246,500)
Transfers from other funds	174,333	174,333	264,482	90,149
Amounts Available for Appropriation	<u>63,044,183</u>	<u>63,044,183</u>	<u>61,497,353</u>	<u>(1,546,830)</u>
Charges to Appropriations (Outflows):				
General government	7,104,957	7,104,957	7,255,720	(150,763)
Public safety	8,329,859	8,329,859	8,212,206	117,653
Public works	3,372,872	3,372,872	2,366,178	1,006,694
Social services	683,764	683,764	681,594	2,170
Recreation and culture	1,876,345	1,876,345	1,272,214	604,131
Debt service	1,656,504	1,656,504	1,591,843	64,661
Education	37,339,956	37,339,956	37,339,956	-
Transfers to other funds	1,329,200	1,329,200	1,379,491	(50,291)
Total Charges to Appropriations	<u>61,693,457</u>	<u>61,693,457</u>	<u>60,099,202</u>	<u>1,594,255</u>
Budgetary Fund Balance, June 30	<u>\$ 1,350,726</u>	<u>\$ 1,350,726</u>	<u>\$ 1,398,151</u>	<u>\$ 47,425</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>					
Proportion of the net pension liability	3.21%	3.14%	3.21%	3.18%	3.12%
Proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City	47,554,360	41,168,996	38,063,925	30,522,465	\$ 31,577,589
Total	<u>\$ 47,554,360</u>	<u>\$ 41,168,996</u>	<u>\$ 38,063,925</u>	<u>\$ 30,522,465</u>	<u>\$ 31,577,589</u>
Covered-employee payroll	\$ 21,195,067	\$ 20,365,564	\$ 17,891,681	\$ 18,052,166	\$ 17,604,094
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	53.98%	55.31%	58.22%	64.02%	60.59%
<u>VMERS:</u>					
Proportion of the net pension liability	0.58%	0.52%	0.41%	0.31%	0.29%
Proportionate share of the net pension liability	\$ 707,670	\$ 669,756	\$ 314,202	\$ 31,441	\$ 112,493
Covered-employee payroll	\$ 1,734,340	\$ 1,438,095	\$ 1,059,889	\$ 962,454	\$ 907,232
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.80%	46.57%	29.64%	3.27%	12.40%
Plan fiduciary net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%	92.71%

* 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 - PENSIONS
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>VSTRS:</u>					
Contractually required contribution	\$ 1,132,688	\$ 1,097,944	\$ 2,338,967	\$ 3,780,035	\$ 3,477,632
Contributions in relation to the contractually required contribution	<u>(1,132,688)</u>	<u>(1,097,944)</u>	<u>(2,338,967)</u>	<u>(3,780,035)</u>	<u>(3,477,632)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 21,663,717	\$ 21,195,067	\$ 20,365,564	\$ 17,891,681	\$ 18,052,166
Contributions as a percentage of covered-employee payroll	5.23%	5.18%	11.48%	21.13%	19.26%
<u>VMERS:</u>					
Contractually required contribution	\$ 122,306	\$ 95,389	\$ 79,095	\$ 147,760	\$ 126,668
Contributions in relation to the contractually required contribution	<u>(122,306)</u>	<u>(95,389)</u>	<u>(79,095)</u>	<u>(147,760)</u>	<u>(126,668)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,223,744	\$ 1,734,340	\$ 1,438,095	\$ 1,059,889	\$ 962,454
Contributions as a percentage of covered-employee payroll	5.50%	5.50%	5.50%	13.94%	13.16%

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

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 966,711	\$ 932,286	\$ 804,013	\$ 764,636
Interest	2,756,390	2,548,930	2,337,631	2,177,059
Changes in benefit terms	-	-	-	-
Difference between actual and expected experience	896,053	52,789	445,709	558,135
Changes of assumptions	(360,328)	1,047,528	600,947	(70,880)
Benefit payments	(1,615,723)	(1,413,887)	(1,328,091)	(1,247,876)
Net change in total pension liability	<u>2,643,103</u>	<u>3,167,646</u>	<u>2,860,209</u>	<u>2,181,074</u>
Total pension liability - beginning	<u>37,860,319</u>	<u>34,692,673</u>	<u>31,832,464</u>	<u>29,651,390</u>
Total pension liability - ending (a)	<u><u>\$ 40,503,422</u></u>	<u><u>\$ 37,860,319</u></u>	<u><u>\$ 34,692,673</u></u>	<u><u>\$ 31,832,464</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 1,246,468	\$ 1,037,443	\$ 765,860	\$ 1,192,750
Contributions - employee	337,958	313,535	305,476	297,142
Net investment income	2,415,936	3,457,472	(306,473)	451,391
Benefit payments	(1,615,723)	(1,413,888)	(1,328,091)	(1,247,876)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>2,384,639</u>	<u>3,394,562</u>	<u>(563,228)</u>	<u>693,407</u>
Plan fiduciary net position - beginning	<u>31,753,222</u>	<u>28,358,660</u>	<u>28,921,888</u>	<u>28,228,481</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 34,137,861</u></u>	<u><u>\$ 31,753,222</u></u>	<u><u>\$ 28,358,660</u></u>	<u><u>\$ 28,921,888</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 6,365,561</u></u>	<u><u>\$ 6,107,097</u></u>	<u><u>\$ 6,334,013</u></u>	<u><u>\$ 2,910,576</u></u>
Plan fiduciary net position as a percentage of the total pension liability	84.28%	83.87%	81.74%	90.86%
Covered-employee payroll	\$ 7,041,414	\$ 7,257,365	\$ 7,064,300	\$ 6,743,881
Net pension liability as a percentage of its covered-employee payroll	90.40%	84.15%	89.66%	43.16%

* The amounts presented for each fiscal year were determined as of July 1, 2017, 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*

	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,322,021	\$ 1,037,443	\$ 765,860	\$ 1,192,750
Contributions in relation to the actuarially determined contribution	<u>(1,246,468)</u>	<u>(1,037,443)</u>	<u>(765,860)</u>	<u>(1,192,750)</u>
Contribution deficiency (excess)	<u>\$ 3,075,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,041,414	\$ 7,257,365	\$ 7,064,300	\$ 6,743,881
Contributions as a percentage of covered-employee payroll	17.70%	14.30%	10.84%	17.69%

Notes to schedule:

Valuation date:	July 1, 2017
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:	7.25
Discount rate:	7.25
Compensation annual rate of increase:	4.00% annually as of July 1, 2017 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:	\$270,000
IRC Section 415(b) maximum benefit limit:	\$215,000

* The amounts presented for each fiscal year were determined as of July 1, 2017, 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	7.25%	7.25%	7.50%	7.50%

* The amounts presented for each fiscal year were determined as of July 1, 2017, 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%
7/1/17	31,753,223	32,098,384	345,161	98.92%	7,257,365	4.76%
7/1/18	34,137,861	34,203,530	65,669	99.81%	7,041,414	0.93%

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

CITY OF SOUTH BURLINGTON, VERMONT

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

	<u>2018</u>	<u>2017</u>
<u>VSTRS OPEB Plan:</u>		
Proportion of the net OPEB liability	2.5098%	2.4181%
City's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the City	<u>23,398,896</u>	-
Total	<u>\$ 23,398,896</u>	<u>\$ -</u>
Covered-employee payroll	\$ 21,195,067	\$ 20,365,564
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

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

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

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

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

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

CITY OF SOUTH BURLINGTON, VERMONT

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

Changes of Assumptions

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

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

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

Other Supplementary Information

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

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

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 14,822,355	\$ 14,822,355	\$ 14,761,400	\$ (60,955)
Property taxes (education)	37,339,956	37,339,956	37,339,956	-
Local options tax	3,696,658	3,696,658	3,763,225	66,567
Interest and penalties	278,800	278,800	231,250	(47,550)
Charges for services:				
Administrative services	443,886	443,886	426,635	(17,251)
Fire department	479,000	479,000	434,917	(44,083)
Other city clerk fees	225,000	225,000	194,292	(30,708)
Building & sign permits	250,000	250,000	311,773	61,773
Other planning fees	182,700	182,700	176,484	(6,216)
Vermont district court	60,000	60,000	13,334	(46,666)
Police department	392,188	392,188	271,338	(120,850)
Highway department	1,969,770	1,969,770	1,004,299	(965,471)
Recreation	338,411	338,411	150,016	(188,395)
Ambulance	748,000	748,000	723,186	(24,814)
Library	10,900	10,900	6,593	(4,307)
Other income				
Miscellaneous	35,000	35,000	73,447	38,447
Debt proceeds	246,500	246,500	-	(246,500)
Transfers from other funds	174,333	174,333	264,482	90,149
Total revenues	<u>\$ 61,693,457</u>	<u>\$ 61,693,457</u>	<u>\$ 60,146,627</u>	<u>\$ (1,546,830)</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General government					
City council	\$ 296,399	\$ -	\$ 296,399	\$ 222,704	\$ 73,695
Employee benefits	4,079,643	-	4,079,643	4,259,346	(179,703)
City manager	633,992	-	633,992	656,452	(22,460)
City clerk	251,734	-	251,734	232,456	19,278
Legal/accounting/actuary	271,386	-	271,386	304,074	(32,688)
Administrative services	720,993	-	720,993	722,323	(1,330)
Information technology	122,739	-	122,739	126,177	(3,438)
Assessing/tax	313,714	-	313,714	318,228	(4,514)
Planning/design review	414,357	-	414,357	413,960	397
	<u>7,104,957</u>	<u>-</u>	<u>7,104,957</u>	<u>7,255,720</u>	<u>(150,763)</u>
Public safety					
Fire department	3,284,142	-	3,284,142	3,451,119	(166,977)
Ambulance	124,650	-	124,650	137,057	(12,407)
Police department	4,921,067	-	4,921,067	4,624,030	297,037
	<u>8,329,859</u>	<u>-</u>	<u>8,329,859</u>	<u>8,212,206</u>	<u>117,653</u>
Public works					
Highway department	3,372,872	-	3,372,872	2,366,178	1,006,694
	<u>3,372,872</u>	<u>-</u>	<u>3,372,872</u>	<u>2,366,178</u>	<u>1,006,694</u>
Social services					
County court	143,000	-	143,000	140,829	2,171
Winooski Valley Park	57,231	-	57,231	57,231	-
C.C.T.A	447,693	-	447,693	447,694	(1)
Regional planning	35,840	-	35,840	35,840	-
	<u>683,764</u>	<u>-</u>	<u>683,764</u>	<u>681,594</u>	<u>2,170</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Recreation and culture					
Recreation administration	341,167	-	341,167	343,870	(2,703)
Programs	30,500	-	30,500	31,034	(534)
Red Rocks Park	19,963	-	19,963	15,391	4,572
Facilities	641,108	-	641,108	16,142	624,966
Contracted programs	119,900	-	119,900	152,043	(32,143)
Community library	488,379	-	488,379	451,910	36,469
Park maintenance	235,328	-	235,328	261,824	(26,496)
	<u>1,876,345</u>	<u>-</u>	<u>1,876,345</u>	<u>1,272,214</u>	<u>604,131</u>
Debt service					
Principal public works facility	98,568	-	98,568	98,568	-
Principal Kennedy drive recon.	22,508	-	22,508	22,508	-
Principal Lime Kiln bridge	22,508	-	22,508	22,508	-
Principal F/D building improvements	30,005	-	30,005	30,005	-
Principal police headquarters	360,000	-	360,000	360,000	-
Principal communication equipment	186,937	-	186,937	190,000	(3,063)
Principal pension liability	328,377	-	328,377	328,376	1
Interest public works facility	19,343	-	19,343	(8,527)	27,870
Interest Kennedy drive recon.	8,167	-	8,167	6,753	1,414
Interest Lime Kiln bridge	8,167	-	8,167	6,752	1,415
Interest F/D building improvements	10,951	-	10,951	9,002	1,949
Interest police headquarters	216,396	-	216,396	183,570	32,826
Interest communication equipment	-	-	-	(2,248)	2,248
Interest sewer fund note	12,005	-	12,005	12,004	1
Interest pension liability	332,572	-	332,572	332,572	-
	<u>1,656,504</u>	<u>-</u>	<u>1,656,504</u>	<u>1,591,843</u>	<u>64,661</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Education	37,339,956	-	37,339,956	37,339,956	-
Transfers	1,329,200	-	1,329,200	1,379,491	(50,291)
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 61,693,457</u>	<u>\$ -</u>	<u>\$ 61,693,457</u>	<u>\$ 60,099,202</u>	<u>\$ 1,594,255</u>

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

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 75,100	\$ 236,348	\$ 577	\$ 312,025
Investments	-	-	339,523	339,523
Accounts receivable	33,153	-	-	33,153
Prepaid items	108	-	-	108
Due from other funds	4,455,639	1,028,128	121,723	5,605,490
TOTAL ASSETS	<u>\$ 4,564,000</u>	<u>\$ 1,264,476</u>	<u>\$ 461,823</u>	<u>\$ 6,290,299</u>
LIABILITIES				
Due to agencies	\$ -	\$ -	\$ 5,490	\$ 5,490
Due to other funds	1,043,413	12,659	9,821	1,065,893
TOTAL LIABILITIES	<u>1,043,413</u>	<u>12,659</u>	<u>15,311</u>	<u>1,071,383</u>
FUND BALANCES				
Nonspendable	108	-	-	108
Restricted	1,779,807	260,689	452,315	2,492,811
Committed	1,547,126	1,003,787	4,026	2,554,939
Assigned	316,981	-	-	316,981
Unassigned	(123,435)	(12,659)	(9,829)	(145,923)
TOTAL FUND BALANCES	<u>3,520,587</u>	<u>1,251,817</u>	<u>446,512</u>	<u>5,218,808</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,564,000</u>	<u>\$ 1,264,476</u>	<u>\$ 461,823</u>	<u>\$ 6,290,191</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, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 206,998	\$ -	\$ -	\$ 206,998
Charges for service	493,121	-	185	493,306
Other income	188,280	11,569	17,084	216,933
TOTAL REVENUES	<u>888,399</u>	<u>11,569</u>	<u>17,269</u>	<u>917,237</u>
EXPENDITURES				
Program expenses	585,921	231,468	27,806	845,195
Capital outlay	22,123	-	-	22,123
TOTAL EXPENDITURES	<u>608,044</u>	<u>231,468</u>	<u>27,806</u>	<u>867,318</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>280,355</u>	<u>(219,899)</u>	<u>(10,537)</u>	<u>49,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	193,200	285,000	-	478,200
Transfers (out)	(347,070)	-	(20,847)	(367,917)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(153,870)</u>	<u>285,000</u>	<u>(20,847)</u>	<u>110,283</u>
NET CHANGE IN FUND BALANCES	126,485	65,101	(31,384)	160,202
FUND BALANCES - JULY 1	<u>3,394,102</u>	<u>1,186,716</u>	<u>477,896</u>	<u>5,058,714</u>
FUND BALANCES - JUNE 30	<u>\$ 3,520,587</u>	<u>\$ 1,251,817</u>	<u>\$ 446,512</u>	<u>\$ 5,218,916</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, 2018

	203 Fire Impact Fees	205 Project Dare	206 Police Off-Duty Work	207 Police Forfeiture Fund	210 MPG 10 Natural Resources	211 EMTP Training	212 Fueling Station
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other funds	115,953	809	-	61,152	39,708	-	57,400
TOTAL ASSETS	<u>\$ 115,953</u>	<u>\$ 809</u>	<u>\$ -</u>	<u>\$ 61,152</u>	<u>\$ 39,708</u>	<u>\$ -</u>	<u>\$ 57,400</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	15,060	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>15,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	809	-	61,152	-	-	57,400
Committed	115,953	-	-	-	-	-	-
Assigned	-	-	-	-	39,708	-	-
Unassigned	-	-	(15,060)	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>115,953</u>	<u>809</u>	<u>(15,060)</u>	<u>61,152</u>	<u>39,708</u>	<u>-</u>	<u>57,400</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 115,953</u>	<u>\$ 809</u>	<u>\$ -</u>	<u>\$ 61,152</u>	<u>\$ 39,708</u>	<u>\$ -</u>	<u>\$ 57,400</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	214 Housing Trust	215 Fire Dept. Off-Duty Work	216 Clerk Computer- ization	219 MPG FY 08 Growth Center	220 Recreation Impact Fees	221 Highway Impact Fees	222 Police Impact Fees
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Prepaid items	-	-	-	108	-	-	-
Due from other funds	50,000	838	158,671	42,723	1,003,098	2,037,797	-
TOTAL ASSETS	\$ 50,000	\$ 838	\$ 158,671	\$ 42,931	\$ 1,003,098	\$ 2,037,797	\$ -
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	887,439	-
TOTAL LIABILITIES	-	-	-	-	-	887,439	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	108	-	-	-
Restricted	50,000	-	-	-	1,003,098	-	-
Committed	-	838	158,671	-	-	1,150,358	-
Assigned	-	-	-	42,823	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	50,000	838	158,671	42,931	1,003,098	1,150,358	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 50,000	\$ 838	\$ 158,671	\$ 42,931	\$ 1,003,098	\$ 2,037,797	\$ -

CITY OF SOUTH BURLINGTON, VERMONT

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

	226	227	228	229	230	233	234
	Community Garden	Records Preservation	Reparative Board	Protective Vests Grant	Dorset Street H2O Milot	Fed EECBG #1 Energy	Road Opening Impact Fees
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	33,153	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other funds	2,382	183,284	1,633	4,951	-	6,481	16,000
TOTAL ASSETS	<u>\$ 2,382</u>	<u>\$ 183,284</u>	<u>\$ 1,633</u>	<u>\$ 4,951</u>	<u>\$ 33,153</u>	<u>\$ 6,481</u>	<u>\$ 16,000</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	14,152	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,152</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	4,951	19,001	-	-
Committed	2,382	-	1,633	-	-	-	16,000
Assigned	-	183,284	-	-	-	6,481	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>2,382</u>	<u>183,284</u>	<u>1,633</u>	<u>4,951</u>	<u>19,001</u>	<u>6,481</u>	<u>16,000</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 2,382</u>	<u>\$ 183,284</u>	<u>\$ 1,633</u>	<u>\$ 4,951</u>	<u>\$ 33,153</u>	<u>\$ 6,481</u>	<u>\$ 16,000</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	235 FEMA Mimic Grant	238 Senior Citizens Organization	243 South Village Rec. Impact	245 Mobile Data Terminals	247 Conference Room Rental	250 Infrastructure Upgrade	251 Fields Use Impact Fees
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other funds	58,502	4,177	251,163	-	975	-	34,396
TOTAL ASSETS	<u>\$ 58,502</u>	<u>\$ 4,177</u>	<u>\$ 251,163</u>	<u>\$ -</u>	<u>\$ 975</u>	<u>\$ -</u>	<u>\$ 34,396</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	49,972	-	5,799	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,972</u>	<u>-</u>	<u>5,799</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	58,502	-	251,163	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	4,177	-	-	975	-	34,396
Unassigned	-	-	-	(49,972)	-	(5,799)	-
TOTAL FUND BALANCES (DEFICITS)	<u>58,502</u>	<u>4,177</u>	<u>251,163</u>	<u>(49,972)</u>	<u>975</u>	<u>(5,799)</u>	<u>34,396</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 58,502</u>	<u>\$ 4,177</u>	<u>\$ 251,163</u>	<u>\$ -</u>	<u>\$ 975</u>	<u>\$ -</u>	<u>\$ 34,396</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	256 Human Trafficking Grant	261 C/L Specific Outlays	265 Tree Maintenance/ Replacement	269 MPO/Traffic Overlay Grant	275 Transportation Action	277 Stag EPA Grant	278 BYFAE Jag Grant
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other funds	-	2,603	-	4,163	20	6,244	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ 4,163</u>	<u>\$ 20</u>	<u>\$ 6,244</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	9,666	-	21,284	-	-	-	2,262
TOTAL LIABILITIES	<u>9,666</u>	<u>-</u>	<u>21,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,262</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	4,163	-	6,244	-
Committed	-	2,603	-	-	-	-	-
Assigned	-	-	-	-	20	-	-
Unassigned	(9,666)	-	(21,284)	-	-	-	(2,262)
TOTAL FUND BALANCES (DEFICITS)	<u>(9,666)</u>	<u>2,603</u>	<u>(21,284)</u>	<u>4,163</u>	<u>20</u>	<u>6,244</u>	<u>(2,262)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 2,603</u>	<u>\$ -</u>	<u>\$ 4,163</u>	<u>\$ 20</u>	<u>\$ 6,244</u>	<u>\$ -</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	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 equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	-	15,964	-	246,319	1,041
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 15,964</u>	<u>\$ -</u>	<u>\$ 246,319</u>	<u>\$ 1,041</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	15,409	-	1,803	-	-
TOTAL LIABILITIES	<u>15,409</u>	<u>-</u>	<u>1,803</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	15,964	-	246,319	1,041
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(15,409)	-	(1,803)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>(15,409)</u>	<u>15,964</u>	<u>(1,803)</u>	<u>246,319</u>	<u>1,041</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 15,964</u>	<u>\$ -</u>	<u>\$ 246,319</u>	<u>\$ 1,041</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	611 Senior Citizens	616 Police Bequeath	617 Canine Unit	620 Police Bequeath Fund	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 75,000	\$ 75,100
Accounts receivable	-	-	-	-	33,153
Prepaid items	-	-	-	-	108
Due from other funds	5,117	36,850	5,225	-	4,455,639
TOTAL ASSETS	<u>\$ 5,117</u>	<u>\$ 36,850</u>	<u>\$ 5,225</u>	<u>\$ 75,000</u>	<u>\$ 4,564,000</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	18,387	1,043,413
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,387</u>	<u>1,043,413</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	108
Restricted	-	-	-	-	1,779,807
Committed	-	36,850	5,225	56,613	1,547,126
Assigned	5,117	-	-	-	316,981
Unassigned	-	-	-	-	(123,435)
TOTAL FUND BALANCES (DEFICITS)	<u>5,117</u>	<u>36,850</u>	<u>5,225</u>	<u>56,613</u>	<u>3,520,587</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 5,117</u>	<u>\$ 36,850</u>	<u>\$ 5,225</u>	<u>\$ 75,000</u>	<u>\$ 4,564,000</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, 2018

	203 Fire Impact Fees	205 Project Dare	206 Police Off-Duty Work	207 Police Forfeiture Fund	210 MPG 10 Natural Resources	211 EMTP Training	212 Fueling Station
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 1,703	\$ 37,078	\$ -	\$ -
Charges for service	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	1,703	37,078	-	-
EXPENDITURES							
Program expenses	-	-	-	1,569	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	1,569	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	134	37,078	-	-
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	10,000	8,200
Transfers (out)	-	-	-	(20,000)	-	(70,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(20,000)	-	(60,000)	8,200
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	(19,866)	37,078	(60,000)	8,200
FUND BALANCES (DEFICITS) - JULY 1	115,953	809	(15,060)	81,018	2,630	60,000	49,200
FUND BALANCES (DEFICITS) - JUNE 30	\$ 115,953	\$ 809	\$ (15,060)	\$ 61,152	\$ 39,708	\$ -	\$ 57,400

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, 2018

	214 Housing Trust	215 Fire Dept. Off-Duty Work	216 Clerk Computer- ization	219 MPG FY 08 Growth Center	220 Recreation Impact Fees	221 Highway Impact Fees	222 Police Impact Fees
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 133,700	\$ -	\$ -	\$ -
Charges for service	-	-	-	-	213,208	108,859	67,263
Other income	-	169	54,706	-	68,481	-	-
TOTAL REVENUES	-	169	54,706	133,700	281,689	108,859	67,263
EXPENDITURES							
Program expenses	100,000	-	55,553	150,454	31,239	625	67,263
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	100,000	-	55,553	150,454	31,239	625	67,263
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(100,000)	169	(847)	(16,754)	250,450	108,234	-
OTHER FINANCING SOURCES (USES)							
Transfers in	50,000	-	-	-	-	-	-
Transfers (out)	-	-	-	-	(15,251)	(233,475)	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	-	-	-	(15,251)	(233,475)	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(50,000)	169	(847)	(16,754)	235,199	(125,241)	-
FUND BALANCES (DEFICITS) - JULY 1	100,000	669	159,518	59,685	767,899	1,275,599	-
FUND BALANCES (DEFICITS) - JUNE 30	\$ 50,000	\$ 838	\$ 158,671	\$ 42,931	\$ 1,003,098	\$ 1,150,358	\$ -

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, 2018

	226	227	228	229	230	233	234
	Community Garden	Records Preservation	Reparative Board	Protective Vests Grant	Dorset Street H2O Milot	Fed EECBG #1 Energy	Road Opening Impact Fees
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for service	-	18,709	-	-	10,215	-	-
Other income	1,925	-	-	-	-	-	-
TOTAL REVENUES	<u>1,925</u>	<u>18,709</u>	<u>-</u>	<u>-</u>	<u>10,215</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Program expenses	2,272	300	-	-	-	3,780	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>2,272</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,780</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(347)</u>	<u>18,409</u>	<u>-</u>	<u>-</u>	<u>10,215</u>	<u>(3,780)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	<u>(347)</u>	<u>18,409</u>	<u>-</u>	<u>-</u>	<u>10,215</u>	<u>(3,780)</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JULY 1	<u>2,729</u>	<u>164,875</u>	<u>1,633</u>	<u>4,951</u>	<u>8,786</u>	<u>10,261</u>	<u>16,000</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 2,382</u>	<u>\$ 183,284</u>	<u>\$ 1,633</u>	<u>\$ 4,951</u>	<u>\$ 19,001</u>	<u>\$ 6,481</u>	<u>\$ 16,000</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, 2018

	235 FEMA Mimic Grant	238 Senior Citizens Organization	243 South Village Rec. Impact	245 Mobile Data Terminals	247 Conference Room Rental	250 Infrastructure Upgrade	251 Fields Use Impact Fees
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for service	-	-	31,636	-	1,025	-	41,478
Other income	-	-	-	-	-	62,398	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>31,636</u>	<u>-</u>	<u>1,025</u>	<u>62,398</u>	<u>41,478</u>
EXPENDITURES							
Program expenses	-	-	-	-	50	37,226	27,534
Capital outlay	-	-	-	-	-	-	22,123
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>37,226</u>	<u>49,657</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>31,636</u>	<u>-</u>	<u>975</u>	<u>25,172</u>	<u>(8,179)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	31,636	-	975	25,172	(8,179)
FUND BALANCES (DEFICITS) - JULY 1	<u>58,502</u>	<u>4,177</u>	<u>219,527</u>	<u>(49,972)</u>	<u>-</u>	<u>(30,971)</u>	<u>42,575</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 58,502</u>	<u>\$ 4,177</u>	<u>\$ 251,163</u>	<u>\$ (49,972)</u>	<u>\$ 975</u>	<u>\$ (5,799)</u>	<u>\$ 34,396</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, 2018

	256 Human Trafficking Grant	261 C/L Specific Outlays	265 Tree Maintenance/ Replacement	269 MPO/Traffic Overlay Grant	275 Transportation Action	277 Stag EPA Grant	278 BYFAE Jag Grant
REVENUES							
Intergovernmental revenue	\$ 34,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for service	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	<u>34,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Program expenses	44,048	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>44,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	(8,344)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(8,344)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(9,666)	-	(8,344)	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	<u>-</u>	<u>2,603</u>	<u>(12,940)</u>	<u>4,163</u>	<u>20</u>	<u>6,244</u>	<u>(2,262)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u><u>\$ (9,666)</u></u>	<u><u>\$ 2,603</u></u>	<u><u>\$ (21,284)</u></u>	<u><u>\$ 4,163</u></u>	<u><u>\$ 20</u></u>	<u><u>\$ 6,244</u></u>	<u><u>\$ (2,262)</u></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, 2018

	283 LED Signage/ Crosswalks	288 A/P A/Guard Enviromental	290 Highway Safety Grant	298 Rooms Meal Tax	299 Safer Grant
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 135
Charges for service	-	-	-	-	-
Other income	-	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135</u>
EXPENDITURES					
Program expenses	-	-	5,877	55,902	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>5,877</u>	<u>55,902</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(5,877)</u>	<u>(55,902)</u>	<u>135</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	125,000	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	<u>-</u>	<u>-</u>	<u>(5,877)</u>	<u>69,098</u>	<u>135</u>
FUND BALANCES (DEFICITS) - JULY 1	<u>(15,409)</u>	<u>15,964</u>	<u>4,074</u>	<u>177,221</u>	<u>906</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (15,409)</u>	<u>\$ 15,964</u>	<u>\$ (1,803)</u>	<u>\$ 246,319</u>	<u>\$ 1,041</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, 2018

	611	616	617	620	
	Senior	Police	Canine	Police	
	Citizens	Bequeath	Unit	Bequeath	Total
				Fund	
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 206,998
Charges for service	728	-	-	-	493,121
Other income	-	-	225	376	188,280
TOTAL REVENUES	<u>728</u>	<u>-</u>	<u>225</u>	<u>376</u>	<u>888,399</u>
EXPENDITURES					
Program expenses	-	-	-	2,229	585,921
Capital outlay	-	-	-	-	22,123
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,229</u>	<u>608,044</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>728</u>	<u>-</u>	<u>225</u>	<u>(1,853)</u>	<u>280,355</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	193,200
Transfers (out)	-	-	-	-	(347,070)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,870)</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	728	-	225	(1,853)	126,485
FUND BALANCES (DEFICITS) - JULY 1	<u>4,389</u>	<u>36,850</u>	<u>5,000</u>	<u>58,466</u>	<u>3,394,102</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 5,117</u>	<u>\$ 36,850</u>	<u>\$ 5,225</u>	<u>\$ 56,613</u>	<u>\$ 3,520,587</u>

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, 2018

	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	434,789	3	-	1,141	5,000
TOTAL ASSETS	<u>\$ 434,789</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 1,141</u>	<u>\$ 5,000</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	6,991	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>6,991</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	434,789	3	-	1,141	5,000
Assigned	-	-	-	-	-
Unassigned	-	-	(6,991)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>434,789</u>	<u>3</u>	<u>(6,991)</u>	<u>1,141</u>	<u>5,000</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 434,789</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 1,141</u>	<u>\$ 5,000</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	309 Open Space Special Assessment	318 Exit 14B Lane Expansion	323 ARRA Quarry Ridge S/W	324 ARRA Twin Oaks
ASSETS				
Cash and cash equivalents	\$ 236,348	\$ -	\$ -	\$ -
Due from other funds	301,238	25,268	37,327	106,248
TOTAL ASSETS	<u>\$ 537,586</u>	<u>\$ 25,268</u>	<u>\$ 37,327</u>	<u>\$ 106,248</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	-	37,327	106,248
Committed	537,586	25,268	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>537,586</u>	<u>25,268</u>	<u>37,327</u>	<u>106,248</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 537,586</u>	<u>\$ 25,268</u>	<u>\$ 37,327</u>	<u>\$ 106,248</u>

CITY OF SOUTH BURLINGTON, VERMONT

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

	325 ARRA Ridgewood	326 ARRA Winding Brook	327 ARRA Harbor Heights	328 Hayes Avenue Stormwater	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 236,348
Due from other funds	60,517	45,061	11,536	-	1,028,128
TOTAL ASSETS	<u>\$ 60,517</u>	<u>\$ 45,061</u>	<u>\$ 11,536</u>	<u>\$ -</u>	<u>\$ 1,264,476</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 (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	60,517	45,061	11,536	-	260,689
Committed	-	-	-	-	1,003,787
Assigned	-	-	-	-	-
Unassigned	-	-	-	(5,668)	(12,659)
TOTAL FUND BALANCES (DEFICITS)	<u>60,517</u>	<u>45,061</u>	<u>11,536</u>	<u>(5,668)</u>	<u>1,251,817</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 60,517</u>	<u>\$ 45,061</u>	<u>\$ 11,536</u>	<u>\$ -</u>	<u>\$ 1,264,476</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, 2018

	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	7,644	-	-	-	-
TOTAL REVENUES	<u>7,644</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>7,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	7,644	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	<u>427,145</u>	<u>3</u>	<u>(6,991)</u>	<u>1,141</u>	<u>5,000</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 434,789</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, 2018

	309 Open Space Special Assessment	318 Exit 14B Lane Expansion	323 ARRA Quarry Ridge S/W	324 ARRA Twin Oaks
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Other income	3,925	-	-	-
TOTAL REVENUES	<u>3,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Program expenses	231,468	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>231,468</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(227,543)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	285,000	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>285,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	57,457	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	<u>480,129</u>	<u>25,268</u>	<u>37,327</u>	<u>106,248</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 537,586</u>	<u>\$ 25,268</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, 2018

	325 ARRA Ridgewood	326 ARRA Winding Brook	327 ARRA Harbor Heights	328 Hayes Avenue Stormwater	Total
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	11,569
TOTAL REVENUES	-	-	-	-	11,569
EXPENDITURES					
Program expenses	-	-	-	-	231,468
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	231,468
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	285,000
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	285,000
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	-	-	-
FUND BALANCES (DEFICITS) - JULY 1	60,517	45,061	11,536	(5,668)	1,186,716
FUND BALANCES (DEFICITS) - JUNE 30	\$ 60,517	\$ 45,061	\$ 11,536	\$ (5,668)	\$ 1,251,817

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, 2018

	Cemetery	Community Library Trust	Community Chorus	Recreation Donation	P.A.C.T.	Veterans Memorial
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from other funds	4,699	32,273	-	-	402	-
TOTAL ASSETS	\$ 4,699	\$ 32,273	\$ -	\$ -	\$ 402	\$ -
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 8,007	\$ -	\$ -	\$ 1,739
Due to agencies	-	-	8	-	-	-
TOTAL LIABILITIES	-	-	8,015	-	-	1,739
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	4,699	32,273	-	-	402	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(8,015)	-	-	(1,739)
TOTAL FUND BALANCES (DEFICITS)	4,699	32,273	(8,015)	-	402	(1,739)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 4,699	\$ 32,273	\$ -	\$ -	\$ 402	\$ -

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2018

	Library (Blanchette)	Recreation Path Donations	Fire Department Donations	Dog Park Donations	Community Music Festival	Total
ASSETS						
Cash and cash equivalents	\$ 577	\$ -	\$ -	\$ -	\$ -	\$ 577
Investments	339,523	-	-	-	-	339,523
Due from other funds	74,841	5,482	3,047	979	-	121,723
TOTAL ASSETS	<u>\$ 414,941</u>	<u>\$ 5,482</u>	<u>\$ 3,047</u>	<u>\$ 979</u>	<u>\$ -</u>	<u>\$ 461,823</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 9,821
Due to agencies	-	5,482	-	-	-	5,490
TOTAL LIABILITIES	<u>-</u>	<u>5,482</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>15,311</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	414,941	-	-	-	-	452,315
Committed	-	-	3,047	979	-	4,026
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(75)	(9,829)
TOTAL FUND BALANCES (DEFICITS)	<u>414,941</u>	<u>-</u>	<u>3,047</u>	<u>979</u>	<u>(75)</u>	<u>446,512</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 414,941</u>	<u>\$ 5,482</u>	<u>\$ 3,047</u>	<u>\$ 979</u>	<u>\$ -</u>	<u>\$ 461,823</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, 2018

	Cemetery	Community Library Trust	Community Chorus	Recreation Donation	P.A.C.T.	Veterans Memorial
REVENUES						
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Other income	-	7,641	2,168	-	3,200	1,025
TOTAL REVENUES	<u>-</u>	<u>7,641</u>	<u>2,168</u>	<u>-</u>	<u>3,200</u>	<u>1,025</u>
EXPENDITURES						
Other	-	17,357	1,105	1,388	4,400	858
TOTAL EXPENDITURES	<u>-</u>	<u>17,357</u>	<u>1,105</u>	<u>1,388</u>	<u>4,400</u>	<u>858</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(9,716)</u>	<u>1,063</u>	<u>(1,388)</u>	<u>(1,200)</u>	<u>167</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(14,972)	-	(5,875)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(14,972)</u>	<u>-</u>	<u>(5,875)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(24,688)	1,063	(7,263)	(1,200)	167
FUND BALANCES (DEFICITS) - JULY 1	<u>4,699</u>	<u>56,961</u>	<u>(9,078)</u>	<u>7,263</u>	<u>1,602</u>	<u>(1,906)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 4,699</u>	<u>\$ 32,273</u>	<u>\$ (8,015)</u>	<u>\$ -</u>	<u>\$ 402</u>	<u>\$ (1,739)</u>

CITY OF SOUTH BURLINGTON, VERMONT

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Library (Blanchette)	Recreation Path Donations	Fire Department Donations	Dog Park Donations	Community Music Festival	Total
REVENUES						
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	185	-	-	185
Other income	-	-	3,050	-	-	17,084
TOTAL REVENUES	-	-	3,235	-	-	17,269
EXPENDITURES						
Other	-	-	2,623	-	75	27,806
TOTAL EXPENDITURES	-	-	2,623	-	75	27,806
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	612	-	(75)	(10,537)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	(20,847)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(20,847)
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	612	-	(75)	(31,384)
FUND BALANCES (DEFICITS) - JULY 1	414,941	-	2,435	979	-	477,896
FUND BALANCES (DEFICITS) - JUNE 30	\$ 414,941	\$ -	\$ 3,047	\$ 979	\$ (75)	\$ 446,512

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.

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

CITY OF SOUTH BURLINGTON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General Government	\$ 329,511	\$ 1,773,721	\$ 89,050	\$ -	\$ 2,192,282
Ambulance	-	-	244,797	-	244,797
Fire	1,118,500	6,314,977	4,378,212	-	11,811,689
Police	-	7,378,410	2,130,067	-	9,508,477
Highway	1,114,629	-	2,111,300	4,198,700	7,424,629
Public Works	6,621,526	791,049	1,386,382	36,475,435	45,274,392
Library	-	-	12,084	-	12,084
Recreation	2,610,952	400,429	161,269	2,087,056	5,259,706
Health	280,500	681,648	-	108,305	1,070,453
Airport	21,375,571	-	-	-	21,375,571
City Wide	2,141,700	678,520	153,710	-	2,973,930
Storm Water Utilities	30,000	154,994	1,398,275	7,719,213	9,302,482
Water Pollution Control	488,000	14,442,944	947,744	1,816,027	17,694,715
Water Department	9,225	-	7,119,999	18,713	7,147,937
Total General Capital Assets	36,120,114	32,616,692	20,132,889	52,423,449	141,293,144
Less: Accumulated Depreciation	-	(22,885,400)	(11,066,741)	(35,854,396)	(69,806,537)
Net General Capital Assets	\$ 36,120,114	\$ 9,731,292	\$ 9,066,148	\$ 16,569,053	\$ 71,486,607

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, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
General Government	\$ 2,192,282	\$ -	\$ -	\$ 2,192,282
Ambulance	244,797	-	-	244,797
Fire	11,805,455	6,234	-	11,811,689
Police	9,393,585	114,892	-	9,508,477
Highway	7,719,876	-	(295,247)	7,424,629
Public Works	44,542,888	731,504	-	45,274,392
Library	12,084	-	-	12,084
Recreation	5,240,206	19,500	-	5,259,706
Health	1,070,453	-	-	1,070,453
Airport	21,375,571	-	-	21,375,571
City Wide	2,185,510	788,420	-	2,973,930
Storm Water Utilities	6,074,858	3,227,624	-	9,302,482
Water Pollution Control	16,626,371	1,068,344	-	17,694,715
Water Department	7,076,951	70,986	-	7,147,937
Total General Capital Assets	135,560,887	6,027,504	(295,247)	141,293,144
Less: Accumulated Depreciation	(67,622,779)	(2,479,005)	295,247	(69,806,537)
Net General Capital Assets	<u>\$ 68,898,460</u>	<u>\$ 3,548,499</u>	<u>\$ -</u>	<u>\$ 71,486,607</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, 2018, 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 February 13, 2019.

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.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
February 13, 2019