

Audited Financial Statements  
and Other Financial Information

**Town of Shelburne, Vermont**

June 30, 2020



*Proven Expertise & Integrity*

TOWN OF SHELBURNE, VERMONT

CONTENTS

JUNE 30, 2020

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12 - 13
STATEMENT B - STATEMENT OF ACTIVITIES	14 - 15
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	16
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	18
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
STATEMENT G - STATEMENT OF NET POSITION - PROPRIETARY FUNDS	20 - 21
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	22
STATEMENT I - STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	23 - 24
NOTES TO FINANCIAL STATEMENTS	25 - 60
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	61

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	62
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	63
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	64
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	65
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	66
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	67 - 68
SCHEDULE C - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	69
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	70
SPECIAL REVENUE FUNDS DESCRIPTION	71
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	72
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	73
CAPITAL PROJECT FUNDS DESCRIPTION	74
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS	75
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS	76
PERMANENT FUNDS DESCRIPTION	77

SCHEDULE I - COMBINING BALANCE SHEET - PERMANENT FUNDS 78

SCHEDULE J - COMBINING SCHEDULE OF REVENUES, EXPENDITURES -  
AND CHANGES IN FUND BALANCES - NONMAJOR  
PERMANENT FUNDS 79

FEDERAL COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 80 - 81



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## INDEPENDENT AUDITORS' REPORT

Selectboard  
Town of Shelburne  
Shelburne, 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 Town of Shelburne, Vermont, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

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

### Opinions

In our opinion, except for the item mentioned in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and the aggregate remaining fund information of the Town of Shelburne, Vermont as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 62 through 64 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 Town of Shelburne, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor 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 and

combining and individual nonmajor fund 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 and combining and individual nonmajor fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021, on our consideration of the Town of Shelburne, 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* in considering the Town of Shelburne, Vermont's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
February 23, 2021

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**(UNAUDITED)**

The following management's discussion and analysis of the Town of Shelburne, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town of Shelburne, Vermont's financial statements.

**Financial Statement Overview**

The Town of Shelburne, Vermont'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 schedules and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the Town'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 Town'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 Town activities. The types of activities presented for the Town of Shelburne are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, health and welfare, culture and recreation, intergovernmental, employee benefits and other.
- *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 Town of Shelburne include the water and sewer funds.

### **Fund Financial Statements**

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

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

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 Town of Shelburne presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund and the library construction 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 Town 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 Town of Shelburne maintains two proprietary funds, the water and sewer funds. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions.

### **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 Town's governmental activities. The Town's total net position for governmental activities increased by \$783,205 from \$13,400,205 to \$14,223,410. For the business-

type activities, the Town's total net position increased by \$472,348 from \$11,096,438 to \$11,568,786.

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 - increased for the governmental activities by \$2,767,000 to a balance of \$3,566,954 at the end of the fiscal year. For the business-type activities, the unrestricted net position increased by \$492,561 to a balance of \$1,482,250.

**Table 1**  
**Town of Shelburne, Vermont**  
**Net Position**  
**June 30**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets:</b>				
Current Assets	\$ 5,371,578	\$ 5,076,357	\$ 1,835,744	\$ 1,766,779
Noncurrent Assets - Capital Assets	19,238,050	18,478,262	15,016,829	15,472,944
Total Assets	<u>\$ 24,609,628</u>	<u>\$ 23,554,619</u>	<u>\$ 16,852,573</u>	<u>\$ 17,239,723</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	\$ 425,758	\$ 418,139	\$ 70,521	\$ 69,259
Total Deferred Outflows of Resources	<u>\$ 425,758</u>	<u>\$ 418,139</u>	<u>\$ 70,521</u>	<u>\$ 69,259</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 1,463,285	\$ 4,470,016	\$ 980,097	\$ 1,480,070
Noncurrent Liabilities	8,965,363	5,657,727	4,371,763	4,729,034
Total Liabilities	<u>\$ 10,428,648</u>	<u>\$ 10,127,743</u>	<u>\$ 5,351,860</u>	<u>\$ 6,209,104</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid Taxes	\$ 38,548	\$ 64,044	\$ -	\$ -
Deferred Revenue	330,000	360,000	-	-
Deferred Inflows Related to Pensions	14,780	20,766	2,448	3,440
Total Deferred Inflows of Resources	<u>\$ 383,328</u>	<u>\$ 444,810</u>	<u>\$ 2,448</u>	<u>\$ 3,440</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	\$ 10,604,550	\$ 11,545,952	\$ 10,086,536	\$ 10,106,749
Restricted	51,906	1,054,299	-	-
Unrestricted	3,566,954	799,954	1,482,250	989,689
Total Net Position	<u>\$ 14,223,410</u>	<u>\$ 13,400,205</u>	<u>\$ 11,568,786</u>	<u>\$ 11,096,438</u>

## Revenues and Expenses

Revenues for the Town's governmental activities decreased by 3.08%, while total expenses increased by 1.41%. The largest decrease in revenues was in operating grants and contributions. The biggest increases in expenses were in general government, public safety and culture and recreation. For the business-type activities, revenues increased by 5.67% due to charges for services and miscellaneous, while total expenses increased by 8.79%.

**Table 2**  
**Town of Shelburne, Vermont**  
**Change in Net Position**  
**For the Years Ended June 30,**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 1,671,952	\$ 1,350,715	\$ 3,276,811	\$ 3,157,522
Operating grants and contributions	148,904	727,573	-	4,390
Capital grants and contributions	-	818,896	-	-
<i>General Revenues:</i>				
Taxes	7,003,200	6,495,372	-	-
Grants and contracts not restricted to specific programs	199,470	189,963	129,565	-
Miscellaneous	433,854	175,900	40,041	99,431
Total Revenues	<u>9,457,380</u>	<u>9,758,419</u>	<u>3,446,417</u>	<u>3,261,343</u>
<b>Expenses</b>				
General government	2,286,861	2,076,695	-	-
Public safety	3,419,989	3,145,320	-	-
Public works	1,603,322	1,853,388	-	-
Health and welfare	89,713	41,280	-	-
Culture and recreation	697,714	506,514	-	-
Intergovernmental	199,002	558,799	-	-
Employee benefits	80,095	109,548	-	-
Other	45,927	53,998	-	-
Interest on long-term debt	175,263	133,078	-	-
Water	-	-	1,212,341	1,107,618
Sewer	-	-	1,798,017	1,659,468
Total Expenses	<u>8,597,886</u>	<u>8,478,620</u>	<u>3,010,358</u>	<u>2,767,086</u>
Transfers	<u>(36,289)</u>	<u>(16,328)</u>	<u>36,289</u>	<u>16,328</u>
Change in Net Position	823,205	1,263,471	472,348	510,585
Net Position - July 1, Restated	<u>13,400,205</u>	<u>12,136,734</u>	<u>11,096,438</u>	<u>10,585,853</u>
Net Position - June 30	<u>\$ 14,223,410</u>	<u>\$ 13,400,205</u>	<u>\$ 11,568,786</u>	<u>\$ 11,096,438</u>

## Financial Analysis of the Town's Fund Statements

*Governmental funds:* The financial reporting focus of the Town'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 Town'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**  
**Town of Shelburne, Vermont**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 111,550	\$ 105,107	\$ 6,443
Committed	211,557	473,297	(261,740)
Unassigned	2,212,386	986,583	1,225,803
Total General Fund	<u>\$ 2,535,493</u>	<u>\$ 1,564,987</u>	<u>\$ 970,506</u>
Library Construction Fund:			
Restricted	\$ 51,906	\$ -	\$ 51,906
Unassigned	-	(2,603,806)	2,603,806
Total Library Construction Fund	<u>\$ 51,906</u>	<u>\$ (2,603,806)</u>	<u>\$ 2,655,712</u>
Nonmajor Funds:			
Special Revenue Funds:			
Nonspendable	\$ -	\$ 1,010	\$ (1,010)
Restricted	322,645	343,077	(20,432)
Committed	-	12,527	(12,527)
Assigned	266,850	240,149	26,701
Capital Project Funds:			
Restricted	408,091	326,271	81,820
Committed	180,953	169,385	11,568
Assigned	21,792	23,128	(1,336)
Unassigned	(41,398)	(29,825)	(11,573)
Permanent Funds:			
Restricted	375,846	384,951	(9,105)
Total Nonmajor Funds	<u>\$ 1,534,779</u>	<u>\$ 1,470,673</u>	<u>\$ 64,106</u>

The changes to total fund balances in each of the major funds and total nonmajor funds occurred due to the regular activity of operations.

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

The water fund's net position increased by \$71,792 over the prior fiscal year, while the sewer fund's net position increased by \$400,556 over the prior fiscal year.

## Budgetary Highlights

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

The general fund actual revenues were below budgeted amounts by \$253,716. This was the result of most revenue categories being receipted less than budgeted amounts with the exception of property taxes and intergovernmental.

The general fund actual expenditures were under budget by \$1,224,222. All but two expenditure categories were within or below budget with other and transfers to other funds exceeding budgeted amounts.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the Town increased by \$303,673 over the prior year. The increase is the result of capital additions of \$1,987,993 less net disposals of \$22,356 and current year depreciation of \$1,661,964. Refer to Note 6 of the Notes to Financial Statements for detailed information.

**Table 4**  
**Town of Shelburne, Vermont**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<u>2020</u>	<u>2019</u>
Land	\$ 1,542,497	\$ 1,521,571
Library collection	262,844	271,874
Construction in progress	197,504	5,798,342
Buildings and improvements	9,404,665	3,323,083
Equipment and vehicles	954,575	3,206,766
Infrastructure	<u>21,892,794</u>	<u>19,829,570</u>
Total	<u>\$ 34,254,879</u>	<u>\$ 33,951,206</u>

### Debt

At June 30, 2020, the Town had \$13,603,793 in bonds and notes from direct borrowings payable outstanding versus \$10,693,195 last year, an increase of 27.22%. Refer to Note 8 of the Notes to Financial Statements for detailed information.

## **Currently Known Facts, Decisions or Conditions**

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

## **Economic Factors and Next Year's Budgets and Rates**

The Town is working towards maintaining an unassigned fund balance to sustain government operations for a period of approximately three months. The Town does maintain reserves for future operations, capital and program needs.

## **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at P.O. Box 88, Shelburne, Vermont 05482.

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION  
JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,591,099	\$ 41,827	\$ 3,632,926
Investments	1,334,104	708,287	2,042,391
Accounts receivable (net of allowance for uncollectibles)	618,036	791,436	1,409,472
Prepaid items	111,550	8,483	120,033
Inventory	-	2,500	2,500
Internal balances	(283,211)	283,211	-
Total current assets	<u>5,371,578</u>	<u>1,835,744</u>	<u>7,207,322</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure and other assets not being depreciated	1,665,207	74,794	1,740,001
Buildings, equipment, vehicles and infrastructure net of accumulated depreciation	<u>17,572,843</u>	<u>14,942,035</u>	<u>32,514,878</u>
Total noncurrent assets	<u>19,238,050</u>	<u>15,016,829</u>	<u>34,254,879</u>
<b>TOTAL ASSETS</b>	<u>24,609,628</u>	<u>16,852,573</u>	<u>41,462,201</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>425,758</u>	<u>70,521</u>	<u>496,279</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>425,758</u>	<u>70,521</u>	<u>496,279</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 25,035,386</u>	<u>\$ 16,923,094</u>	<u>\$ 41,958,480</u>



STATEMENT A (CONTINUED)  
TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION  
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 231,447	\$ 131,791	\$ 363,238
Accrued payroll and benefits	-	1,497	1,497
Accrued interest	144,822	10,833	155,655
Unearned revenue	-	16,566	16,566
Escrows	33,516	-	33,516
Current portion of long-term obligations	1,053,500	819,410	1,872,910
Total current liabilities	1,463,285	980,097	2,443,382
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	7,480,000	946,696	8,426,696
Note from direct borrowings payable	100,000	3,164,187	3,264,187
Accrued compensated absences	238,234	70,873	309,107
Net pension liability	1,147,129	190,007	1,337,136
Total noncurrent liabilities	8,965,363	4,371,763	13,337,126
<b>TOTAL LIABILITIES</b>	<b>10,428,648</b>	<b>5,351,860</b>	<b>15,780,508</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	38,548	-	38,548
Special assessment	330,000	-	330,000
Deferred inflows related to pensions	14,780	2,448	17,228
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>383,328</b>	<b>2,448</b>	<b>385,776</b>
<b>NET POSITION</b>			
Net investment in capital assets	10,604,550	10,086,536	20,691,086
Restricted	51,906	-	51,906
Unrestricted	3,566,954	1,482,250	5,049,204
<b>TOTAL NET POSITION</b>	<b>14,223,410</b>	<b>11,568,786</b>	<b>25,792,196</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 25,035,386</b>	<b>\$ 16,923,094</b>	<b>\$ 41,958,480</b>

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

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
General government	\$ 2,286,861	\$ 257,384	\$ -	\$ -	\$ (2,029,477)	\$ -	\$ (2,029,477)
Public safety	3,419,989	1,140,432	-	-	(2,279,557)	-	(2,279,557)
Public works	1,603,322	108,861	148,904	-	(1,345,557)	-	(1,345,557)
Health and welfare	89,713	-	-	-	(89,713)	-	(89,713)
Culture and recreation	697,714	146,603	-	-	(551,111)	-	(551,111)
Intergovernmental	199,002	-	-	-	(199,002)	-	(199,002)
Employee benefits	80,095	-	-	-	(80,095)	-	(80,095)
Other	45,927	18,672	-	-	(27,255)	-	(27,255)
Interest on long-term debt	175,263	-	-	-	(175,263)	-	(175,263)
Total governmental activities	<u>8,597,886</u>	<u>1,671,952</u>	<u>148,904</u>	<u>-</u>	<u>(6,777,030)</u>	<u>-</u>	<u>(6,777,030)</u>
Business-type activities:							
Water fund	1,212,341	1,116,424	-	-	-	(95,917)	(95,917)
Sewer fund	1,798,017	2,160,387	-	-	-	362,370	362,370
Total business-type activities	<u>3,010,358</u>	<u>3,276,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,453</u>	<u>266,453</u>
Total government	<u>\$ 11,608,244</u>	<u>\$ 4,948,763</u>	<u>\$ 148,904</u>	<u>\$ -</u>	<u>(6,777,030)</u>	<u>266,453</u>	<u>(6,510,577)</u>

STATEMENT B (CONTINUED)

TOWN OF SHELBURNE, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	(6,777,030)	266,453	(6,510,577)
General revenue:			
Taxes:			
Property taxes, levied for general purposes	7,003,200	-	7,003,200
Grants and contributions not restricted to specific programs	-	129,565	329,035
Miscellaneous	433,854	40,041	473,895
Transfers	(36,289)	36,289	-
Total general revenues	7,600,235	205,895	7,806,130
Change in net position	823,205	472,348	1,295,553
NET POSITION - JULY 1, RESTATED	13,400,205	11,096,438	24,496,643
NET POSITION - JUNE 30	\$ 14,223,410	\$ 11,568,786	\$ 25,792,196

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

## TOWN OF SHELBURNE, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General Fund	Library Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,564,936	\$ -	\$ 26,163	\$ 3,591,099
Investments	1,070,170	-	263,934	1,334,104
Accounts receivable (net of allowance for uncollectibles)	618,036	-	-	618,036
Prepaid items	111,550	-	-	111,550
Due from other funds	840,269	54,147	1,315,121	2,209,537
<b>TOTAL ASSETS</b>	<b>\$ 6,204,961</b>	<b>\$ 54,147</b>	<b>\$ 1,605,218</b>	<b>\$ 7,864,326</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 206,067	\$ 2,241	\$ 23,139	\$ 231,447
Accrued expenses	144,822	-	-	144,822
Escrows	33,516	-	-	33,516
Due to other funds	2,445,448	-	47,300	2,492,748
<b>TOTAL LIABILITIES</b>	<b>2,829,853</b>	<b>2,241</b>	<b>70,439</b>	<b>2,902,533</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	38,548	-	-	38,548
Unavailable property taxes, penalties and interest	388,269	-	-	388,269
Unavailable other receivables	82,798	-	-	82,798
Special assessment	330,000	-	-	330,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>839,615</b>	<b>-</b>	<b>-</b>	<b>839,615</b>
<b>FUND BALANCES</b>				
Nonspendable	111,550	-	-	111,550
Restricted	-	51,906	1,106,582	1,158,488
Committed	211,557	-	180,953	392,510
Assigned	-	-	288,642	288,642
Unassigned	2,212,386	-	(41,398)	2,170,988
<b>TOTAL FUND BALANCES</b>	<b>2,535,493</b>	<b>51,906</b>	<b>1,534,779</b>	<b>4,122,178</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,204,961</b>	<b>\$ 54,147</b>	<b>\$ 1,605,218</b>	<b>\$ 7,864,326</b>

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

## TOWN OF SHELBURNE, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 4,122,178
Amounts reported for governmental activities in the statement 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	19,238,050
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	388,269
Deferred revenues	82,798
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	425,758
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(8,300,000)
Notes from direct borrowings payable	(333,500)
Accrued compensated absences	(238,234)
Net pension liability	(1,147,129)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	<u>(14,780)</u>
Net position of governmental activities	<u><u>\$ 14,223,410</u></u>

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

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Library Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,013,324	\$ -	\$ -	\$ 7,013,324
Intergovernmental	243,496	38,836	66,042	348,374
Charges for services	1,653,280	-	18,672	1,671,952
Miscellaneous revenues	422,054	28,290	71,262	521,606
TOTAL REVENUES	<u>9,332,154</u>	<u>67,126</u>	<u>155,976</u>	<u>9,555,256</u>
EXPENDITURES				
Current:				
General government	1,858,482	-	-	1,858,482
Public safety	3,087,464	-	1,916	3,089,380
Public works	1,183,100	-	1,336	1,184,436
Health and welfare	89,713	-	-	89,713
Culture and recreation	754,401	54,418	63,689	872,508
Intergovernmental	199,002	-	-	199,002
Employee benefits	80,095	-	-	80,095
Other	31,346	-	14,581	45,927
Debt service:				
Principal	653,500	-	110,500	764,000
Interest	158,144	12,140	4,979	175,263
Capital outlay	-	1,244,856	224,981	1,469,837
TOTAL EXPENDITURES	<u>8,095,247</u>	<u>1,311,414</u>	<u>421,982</u>	<u>9,828,643</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,236,907</u>	<u>(1,244,288)</u>	<u>(266,006)</u>	<u>(273,387)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,900,000	100,000	4,000,000
Transfers in	54,098	-	284,210	338,308
Transfers (out)	(320,499)	-	(54,098)	(374,597)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(266,401)</u>	<u>3,900,000</u>	<u>330,112</u>	<u>3,963,711</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	970,506	2,655,712	64,106	3,690,324
FUND BALANCES (DEFICITS) - JULY 1	<u>1,564,987</u>	<u>(2,603,806)</u>	<u>1,470,673</u>	<u>431,854</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 2,535,493</u>	<u>\$ 51,906</u>	<u>\$ 1,534,779</u>	<u>\$ 4,122,178</u>

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

## TOWN OF SHELBURNE, 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, 2020

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 3,690,324</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	7,542,560
Capital asset disposals net of depreciation	(5,697,767)
Depreciation expense	<u>(1,085,005)</u>
	<u>759,788</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported</p>	
Taxes and liens receivable	(10,124)
Deferred revenues	<u>(87,752)</u>
	<u>(97,876)</u>
<p>Deferred outflows of resources is a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.</p>	
	<u>7,619</u>
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.</p>	
	<u>693,500</u>
<p>Debt proceeds provide current financial resources to governmental funds, but long-term obligations in the Statement of Net Position.</p>	
	<u>(4,000,000)</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 compensated absences	17,889
Net pension liability	<u>(254,025)</u>
	<u>(236,136)</u>
<p>Deferred inflows of resources are an acquisition of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.</p>	
	<u>5,986</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 823,205</u></u>

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

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 41,827	\$ -	\$ 41,827
Investments	508,031	200,256	708,287
Accounts receivable (net of allowance for uncollectibles)	301,463	489,973	791,436
Prepaid items	2,483	6,000	8,483
Inventory	2,500	-	2,500
Due from other funds	-	1,076,180	1,076,180
Total current assets	<u>856,304</u>	<u>1,772,409</u>	<u>2,628,713</u>
Capital assets:			
Land and construction in progress	-	74,794	74,794
Buildings and improvements	41,989	1,696,320	1,738,309
Equipment, machinery and vehicles	165,713	552,343	718,056
Infrastructure	4,989,489	19,028,944	24,018,433
Total capital assets	<u>5,197,191</u>	<u>21,352,401</u>	<u>26,549,592</u>
Less: accumulated depreciation	<u>(2,162,980)</u>	<u>(9,369,783)</u>	<u>(11,532,763)</u>
Net capital assets	<u>3,034,211</u>	<u>11,982,618</u>	<u>15,016,829</u>
<b>TOTAL ASSETS</b>	<u>3,890,515</u>	<u>13,755,027</u>	<u>17,645,542</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>14,928</u>	<u>55,593</u>	<u>70,521</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>14,928</u>	<u>55,593</u>	<u>70,521</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,905,443</u>	<u>\$ 13,810,620</u>	<u>\$ 17,716,063</u>



STATEMENT G (CONTINUED)

TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 70,423	\$ 61,368	\$ 131,791
Accrued expenses	366	1,131	1,497
Accrued interest	10,256	577	10,833
Due to other funds	792,969	-	792,969
Unearned revenue	12,677	3,889	16,566
Current portion of long-term liabilities	110,000	709,410	819,410
Total current liabilities	<u>996,691</u>	<u>776,375</u>	<u>1,773,066</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	615,000	331,696	946,696
Notes from direct borrowings payable	-	3,164,187	3,164,187
Accrued compensated absences	39,106	31,767	70,873
Net pension liability	40,222	149,785	190,007
Total noncurrent liabilities	<u>694,328</u>	<u>3,677,435</u>	<u>4,371,763</u>
<b>TOTAL LIABILITIES</b>	<u>1,691,019</u>	<u>4,453,810</u>	<u>6,144,829</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	518	1,930	2,448
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>518</u>	<u>1,930</u>	<u>2,448</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,309,211	7,777,325	10,086,536
Unrestricted	(95,305)	1,577,555	1,482,250
<b>TOTAL NET POSITION</b>	<u>2,213,906</u>	<u>9,354,880</u>	<u>11,568,786</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 3,905,443</u>	<u>\$ 13,810,620</u>	<u>\$ 17,716,063</u>

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

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,116,424	\$ 2,160,387	\$ 3,276,811
Other	10,088	14,398	24,486
<b>TOTAL OPERATING REVENUES</b>	<u>1,126,512</u>	<u>2,174,785</u>	<u>3,301,297</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	206,404	343,354	549,758
Administrative charges	47,853	47,853	95,706
Meter reading charges	-	17,000	17,000
Benefits	85,315	167,270	252,585
Insurance	20,790	56,000	76,790
Professional services	-	324,974	324,974
Utilities	-	55,304	55,304
Sludge removal	-	89,051	89,051
Water supply and engineering	513,035	-	513,035
Maintenance	191,408	138,733	330,141
Chemicals	-	54,077	54,077
Miscellaneous	19,590	8,281	27,871
Depreciation	100,125	476,834	576,959
<b>TOTAL OPERATING EXPENSES</b>	<u>1,184,520</u>	<u>1,778,731</u>	<u>2,963,251</u>
<b>OPERATING INCOME</b>	<u>(58,008)</u>	<u>396,054</u>	<u>338,046</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Water tank revenue	129,565	-	129,565
Investment income	11,056	4,499	15,555
Transfers in	17,000	36,289	53,289
Transfers (out)	-	(17,000)	(17,000)
Interest (expense)	(27,821)	(19,286)	(47,107)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>129,800</u>	<u>4,502</u>	<u>134,302</u>
<b>CHANGE IN NET POSITION</b>	71,792	400,556	472,348
<b>NET POSITION - JULY , RESTATED</b>	<u>2,142,114</u>	<u>8,954,324</u>	<u>11,096,438</u>
<b>NET POSITION - JUNE 30</b>	<u>\$ 2,213,906</u>	<u>\$ 9,354,880</u>	<u>\$ 11,568,786</u>

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

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,123,132	\$ 2,192,566	\$ 3,315,698
Other receipts	10,088	14,398	24,486
Internal activity - receipts (payments) from/to other funds	(146,475)	(357,530)	(504,005)
Payments to suppliers	(766,260)	(946,421)	(1,712,681)
Payments to employees	(282,456)	(471,202)	(753,658)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(61,971)</u>	<u>431,811</u>	<u>369,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	<u>1</u>	<u>1,226</u>	<u>1,227</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1</u>	<u>1,226</u>	<u>1,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital asset purchases	(13,706)	(107,138)	(120,844)
Principal payments on bonds and notes payable	(110,000)	(563,266)	(673,266)
Interest payments on bonds and notes payable	<u>(27,821)</u>	<u>(19,286)</u>	<u>(47,107)</u>
NET CASH PROVIDED BY (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(151,527)</u>	<u>(689,690)</u>	<u>(841,217)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)	17,000	19,289	36,289
Debt proceeds	-	237,364	237,364
Water tank rental revenue	<u>129,565</u>	<u>-</u>	<u>129,565</u>
NET CASH PROVIDED BY (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>146,565</u>	<u>256,653</u>	<u>403,218</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(66,932)	-	(66,932)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>108,759</u>	<u>-</u>	<u>108,759</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 41,827</u>	<u>\$ -</u>	<u>\$ 41,827</u>

STATEMENT I (CONTINUED)  
TOWN OF SHELBURNE, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ (58,008)	\$ 396,054	\$ 338,046
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	100,125	476,834	576,959
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	1,069	33,406	34,475
(Increase) decrease in prepaid items	(99)	14,594	14,495
(Increase) decrease in due from other funds	-	(357,530)	(357,530)
(Increase) decrease in deferred outflows of resources	(267)	(995)	(1,262)
Increase (decrease) in accounts payable	25,160	(158,067)	(132,907)
Increase (decrease) in accrued interest	5,474	(4,362)	1,112
Increase (decrease) in accrued expenses	(4,119)	(7,313)	(11,432)
Increase (decrease) in unearned revenues	5,639	(1,227)	4,412
Increase (decrease) in due to other funds	(146,475)	-	(146,475)
Increase (decrease) in accrued compensated absences	833	8,030	8,863
Increase (decrease) in net pension liability	8,907	33,169	42,076
Increase (decrease) in deferred inflows of resources	(210)	(782)	(992)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (61,971)</u>	<u>\$ 431,811</u>	<u>\$ 369,840</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	<u>\$ 27,821</u>	<u>\$ 19,286</u>	<u>\$ 47,107</u>

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The Town of Shelburne was incorporated under the laws of the State of Vermont. The Town operates under the selectmen-manager form of government and provides the following services: general government, public safety, public works, health and welfare, culture and recreation, education and other unclassified.

The Town'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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

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

**COVID-19 Outbreak**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. As of the date of this report, the state of emergency was extended to March 15, 2021 and may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Impact on and Results of Operations*

On March 31, 2020 Vermont Secretary of State issued a “Waiver of Mandated Upcoming Municipal Election Dates in 2020”. This allowed mandated date meetings or elections and special meeting petitions to be delayed pursuant to the order. This act was authorized by Act 92, §3 (2020). Additional guidance provided that all current incumbent officers would retain their position until the election may be held. As most Vermont municipalities hold their annual meetings during the first week of March annually, most town meeting days occurred as scheduled.

In accordance with Addendum 6 to Executive Order 01-20, issued by the Governor of Vermont on March 24, 2020 (also referred to as the “Stay Home, Stay Safe Order”) and Directive 5 to Executive Order 01-20, issued by the Governor of Vermont on March 26, 2020, access to Town facilities was restricted significantly per Selectboard action, requiring access by appointment, social distancing and requirement to wear masks. Public meetings were conducted by Zoom and not in person. These restrictions continued through the end of the fiscal year. The Town was able to maintain existing staffing levels, allowing work from home where possible.

*Extended deadlines*

Since the final installment of FY 2019-20 Property Taxes was March 15, 2020, no extension of this due date occurred. The first installment of the FY 2020-21 Property taxes was changed from August 15th to September 15th due to the delay in the State of Vermont issuing property tax adjustments to property owners.

The Selectboard created a Financial Advisory Committee in March, made up of members from the community with experience in business operations, financial management and economic development. This committee prepared financial forecasts, surveys of local businesses, and researched funding opportunities related to the Pandemic.

Numerous cuts and deferrals were made in budgeted expenses from March through the end of the fiscal year in anticipation of higher than normal property tax delinquencies. This effort has continued into the 2020-21 Fiscal Year.

*Impact on Finances*

The Town does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act funding and applicable State programs.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Expected Federal/State Support*

The Town may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Town expects that if those actions are necessary, that the Town would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

*Conclusion*

The ongoing effects of COVID-19, including the financial impact to the Town and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

**Implementation of New Accounting Standards**

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's water and sewer funds are categorized as business-type activities. All other activities of the Town are categorized as governmental.

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



TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town 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 Town as an entity and the change in the Town's net position resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements and Fund Financial Statements**

The financial transactions of the Town 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 Town:

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 Town:

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Library Construction Fund is used to account for the resources used in the library construction. Primary revenue sources are loan proceeds.

Nonmajor Funds

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry.

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. Nonoperating 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 Town:

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred 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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the registered voters of the Town 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 registered voters of the Town.

**Deposits and Investments**

The Town'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 Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town 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 evidence of deposits at banks, savings and loan associations and credit unions

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Repurchase agreements
- Money market mutual funds

The Town of Shelburne has a formal investment policy which follows the State of Vermont Statutes.

**Receivables**

Receivables include amounts due from governmental agencies. 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. The allowance for uncollectible amounts is estimated to be \$10,000 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$1,409,472 for the year ended June 30, 2020.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method).

**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 government-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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 Town. The Town has not retroactively recorded infrastructure. The Town is currently working on completing its capital asset inventory.

Estimated useful lives are as follows:

Buildings and improvements	10 - 70 years
Infrastructure	20 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 30 years
Library collection	8 - 50 years

**Long-term Obligations**

The accounting treatment of long-term obligations 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 obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable, notes from direct borrowings payable, accrued compensated absences and net pension liability.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

**Net Position**

Net position represents the difference between assets and liabilities. 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 their use either through the enabling legislations adopted by the Town 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 Balances**

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 Town 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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified or rescinded only through a Town meeting vote.

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

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 Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town 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 Town 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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. These items are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

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.

**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 revenue 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 Town does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Town'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.



TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

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

**Deposits:**

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

At June 30, 2020, the Town's cash balance of \$3,632,926 was comprised of deposits amounting to \$3,981,177. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash and cash equivalents balance. Of these deposits, \$258,095 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. Deposits of \$3,723,082 were collateralized with securities held by the financial institution in the Town's name and therefore were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 3,979,115
Cash equivalents	2,062
	<u>\$ 3,981,177</u>

**Investments:**

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

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

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2020, the Town's investments of \$2,042,391 were comprised of certificates of deposit, U.S. agency securities, common stock and equity securities. Of this amount \$263,934 was collateralized and insured by Securities Investors Protection Corporation (SIPC), \$467,768 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. Investments of \$648,417 were collateralized with securities held by the financial institution in the Town's name and therefore were not exposed to custodial credit risk. The remaining balance of \$662,272 was uninsured and uncollateralized.

The Town had the following investments at June 30, 2020:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years	> 5 Years
U.S. Agency Securities	\$ 81,470	\$ -	\$ 70,056	\$ 11,414	\$ -
Common stock	51,518	-	-	-	51,518
Equities	67,180	67,180	-	-	-
Fixed income	63,766	63,766	-	-	-
	\$ 263,934	\$ 130,946	\$ 70,056	\$ 11,414	\$ 51,518

**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, 2020:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2020 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>				
U.S. Agency Securities	\$ 81,470	\$ -	\$ 81,470	\$ -
Total debt securities	<u>81,470</u>	<u>-</u>	<u>81,470</u>	<u>-</u>
Equity securities:				
Common stock - domestic	\$ 51,518	\$ -	\$ 51,518	\$ -
Mutual funds - fixed	63,766	63,766	-	-
Mutual funds - equity	67,180	67,180	-	-
Total equity securities	<u>182,464</u>	<u>130,946</u>	<u>51,518</u>	<u>-</u>
Total investments by fair value level	<u>263,934</u>	<u>\$ 130,946</u>	<u>\$ 132,988</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	2,062			
Total cash equivalents measured at the NAV	<u>2,062</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 265,996</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2020 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$1,778,457 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk – Statutes for the State of Vermont authorize the Town 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 Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various certificates of deposit.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 840,269	\$ 2,445,448
Library Construction Fund	54,147	-
Enterprise Funds	1,076,180	792,969
Nonmajor Special Revenue Funds	589,748	-
Nonmajor Capital Projects Funds	631,535	39,211
Nonmajor Permanent Funds	93,838	8,089
	<u>\$ 3,285,717</u>	<u>\$ 3,285,717</u>

The result of amounts owed between funds is considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund	\$ 54,098	\$ 320,499
Enterprise Funds	53,289	17,000
Nonmajor Special Revenue Funds	29,833	54,098
Nonmajor Capital Projects Funds	254,377	-
	<u>\$ 391,597</u>	<u>\$ 391,597</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 5 - LOANS RECEIVABLE

Loans receivable at June 30, 2020 consist of the following community development loans:

Shelburne Housing Limited Partnership, payable on demand on or after December 31, 2033. Secured by a second mortgage with a 0% interest rate.	\$ 530,000
Harrington Village Limited Partnership, payable on demand on or after November 14, 2043. Secured by a second mortgage with a 0% interest rate.	668,750
Shelburne Housing Limited Partnership, payable on demand on or after November 15, 2043. Secured by a second mortgage with a 0% interest rate.	<u>581,250</u>
Total	<u>1,780,000</u>
Less: Allowance for doubtful loans receivable	<u>(1,780,000)</u>
Reported value at June 30, 2020	<u><u>\$ -</u></u>

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Disposals	Balance, 6/30/20
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 1,510,571	\$ 20,926	\$ -	\$ 1,531,497
Construction in progress	5,798,342	11,573	(5,676,205)	133,710
	<u>7,308,913</u>	<u>32,499</u>	<u>(5,676,205)</u>	<u>1,665,207</u>
Depreciated assets:				
Buildings and improvements	9,752,402	6,983,929	-	16,736,331
Vehicles and equipment	6,264,381	502,740	(127,625)	6,639,496
Infrastructure	6,775,945	-	-	6,775,945
Library collection	444,463	23,392	(34,236)	433,619
	<u>23,237,191</u>	<u>7,510,061</u>	<u>(161,861)</u>	<u>30,585,391</u>
Less: accumulated depreciation	<u>(12,067,842)</u>	<u>(1,085,005)</u>	<u>140,299</u>	<u>(13,012,548)</u>
	<u>11,169,349</u>	<u>6,425,056</u>	<u>(21,562)</u>	<u>17,572,843</u>
Net governmental capital assets	<u>\$ 18,478,262</u>	<u>\$ 6,457,555</u>	<u>\$ (5,697,767)</u>	<u>\$ 19,238,050</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	-	63,794	-	63,794
	<u>11,000</u>	<u>63,794</u>	<u>-</u>	<u>74,794</u>
Depreciated assets:				
Buildings and improvements	1,738,309	-	-	1,738,309
Vehicles, machinery and equipment	684,049	43,344	(23,837)	703,556
Infrastructure	24,018,433	14,500	-	24,032,933
	<u>26,440,791</u>	<u>57,844</u>	<u>(23,837)</u>	<u>26,474,798</u>
Less: accumulated depreciation	<u>(10,978,847)</u>	<u>(576,959)</u>	<u>23,043</u>	<u>(11,532,763)</u>
Net business-type capital assets	<u>\$ 15,472,944</u>	<u>\$ (455,321)</u>	<u>\$ (794)</u>	<u>\$ 15,016,829</u>
<u>Depreciation expense:</u>				
General government				\$ 205,848
Public safety				330,609
Public works				348,386
Culture and recreation				200,162
Total governmental fund depreciation				<u>1,085,005</u>
Water Fund				100,125
Sewer Fund				476,834
Total business-type fund depreciation				<u>576,959</u>
Total depreciation expense				<u>\$ 1,661,964</u>

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7 - SHORT-TERM DEBT

On May 16, 2019, the Town issued a bond anticipation note. The bond anticipation note allowed principal draws up to \$2,500,000 at 2.75% fixed interest per annum with a maturity date of November 16, 2019. On September 5, 2019, the bond anticipation note was paid in full. Interest expense for the note was \$12,140.

On February 12, 2019 the Town of Shelburne, Vermont issued a municipal note to refinance a loan with National Bank of Middlebury . The note is for \$20,000 plus 2.31% fixed interest due on February 11, 2020.

On January 7, 2020 the Town of Shelburne, Vermont issued a municipal note to refinance a loan with the National Bank of Middlebury. The note is for \$87,000 plus 2.66% fixed interest due on January 6, 2021.

The following is a summary of changes in the long-term debt for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20
Bond anticipation note	\$ 1,605,310	\$ -	\$ (1,605,310)	\$ -
Municipal note	20,000	87,000	(20,000)	87,000
	<u>\$ 1,625,310</u>	<u>\$ 87,000</u>	<u>\$ (1,625,310)</u>	<u>\$ 87,000</u>

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2020:

	Balance, 7/1/19 (Restated)	Additions	Deletions	Balance, 6/30/20	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 5,025,000	\$ 3,900,000	\$ (625,000)	\$ 8,300,000	\$ 820,000
Notes from direct borrowings payable	302,000	100,000	(68,500)	333,500	233,500
Total	<u>\$ 5,327,000</u>	<u>\$ 4,000,000</u>	<u>\$ (693,500)</u>	<u>\$ 8,633,500</u>	<u>\$ 1,053,500</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

	Balance, 7/1/19 (Restated)	Additions	Deletions	Balance, 6/30/20	Current Portion
<u>Business-type activities:</u>					
<u>Water</u>					
Bond payable	\$ 835,000	\$ -	\$ (110,000)	\$ 725,000	\$ 110,000
<u>Sewer</u>					
Bond payable	\$ 419,257	\$ -	\$ (42,986)	\$ 376,271	\$ 44,575
Notes from direct borrowings payable	4,111,938	237,364	(520,280)	3,829,022	664,835
Total	<u>\$ 4,531,195</u>	<u>\$ 237,364</u>	<u>\$ (563,266)</u>	<u>\$ 4,205,293</u>	<u>\$ 709,410</u>

The following is a summary of the outstanding bonds and note from direct borrowings payable:

Governmental activities

Bonds payable:

Town center bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$235,000 through December of 2021. Interest is charged at a fixed rate varying between 3.62% to 5.18% per annum.	\$ 470,000
Capital improvement (bike/pedestrian path, Spear Street) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$20,000, through November of 2023. Interest is charged at a fixed rate varying between 1.9% to 4.41% per annum.	80,000
Recreation facilities and sand/salt shed bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$75,000, through November of 2025. Interest is charged at a fixed rate varying between 3.0% to 4.49% per annum.	450,000
Library/town hall bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$100,000, through November of 2038. Interest is charged at a fixed rate varying between 1.7% to 4.17% per annum.	1,900,000



TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Capital improvement (fire truck, beach seawall, Webster Road path) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$15,000 to \$75,000, through December of 2030. Interest is charged at a fixed rate varying between 2.454% to 3.426% per annum. 255,000

Special assessment debt with governmental commitment, Beaver Creek infrastructure bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$30,000, through November of 2030. Interest is charged at a fixed rate varying between 1.54% to 5.05% per annum. 330,000

Capital improvement (bike/pedestrian path/sidewalk, Webster Road, Harbor Road) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$25,000, through November of 2022. Interest is charged at a fixed rate varying between 1.098% to 3.0% per annum. 75,000

Capital improvement (fire truck) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$65,000, through November of 2032. Interest is charged at a fixed rate varying between 1.78% to 3.49% per annum. 840,000

\$3,900,000 New library construction/town hall renovations payable to Vermont Municipal Bond Bank. Annual principal payments of \$195,000 plus fixed interest ranging from 1.35% to 3.123% per annum with a maturity date of November 1, 2039. 3,900,000

Total governmental activities bonds payable \$ 8,300,000

Notes from direct borrowings payable:

Capital equipment note payable to Union Bank, due in annual principal payments of \$28,500, through September of 2020. Interest is charged at a fixed rate of 2.15% per annum. \$ 28,500

Capital improvement (Town Center) note payable to Union Bank, due in annual principal payments of \$35,000, with a maturity date of June 13, 2021. Interest is charged at a fixed rate of 1.75% per annum. 90,000

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Capital improvement (truck) note payable to Union Bank, due in annual principal payments of \$20,000, through April 29, 2025. Interest is charged at a fixed rate of 1.95% per annum.	100,000
Capital improvement (truck) note payable to Union Bank, due in annual principal payments of \$35,000, through June 13, 2021. Interest is charged at a fixed rate of 1.75% per annum.	35,000
Capital improvement (wheel loader) note payable to the Vermont State Municipal Loan Fund, due in annual principal payments of \$20,000, through December of 2023. Interest is charged at a fixed rate of 2.0% per annum.	80,000
Total governmental activities notes payable	<u>\$ 333,500</u>
<u>Business-type activities</u>	
Bonds payable:	
<u>Water</u>	
Water bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$50,000 to \$55,000, through November of 2023. Interest is charged at a fixed rate varying between 3.57% to 4.69% per annum.	\$ 215,000
Water bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$4,000 to \$10,000, through November of 2020. Interest is charged at a fixed rate varying between 3.0% to 4.49% per annum.	5,000
Water bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$20,000 to \$25,000, through November of 2028. Interest is charged at a fixed rate varying between 0.44% to 4.33% per annum.	195,000
Water bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$20,000 to \$25,000, through November of 2023. Interest is charged at a fixed rate of 3.08% per annum.	310,000
Total water bonds payable	<u>725,000</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Sewer

Sewer bond payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$42,715, through April of 2027. Administration fee is 2% per annum.	276,451
Sewer bond payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$9,371, through September of 2031. Administration fee is 2% per annum.	<u>99,105</u>
Total sewer bonds payable	<u>375,556</u>
Total business-type bonds payable	<u>\$ 1,100,556</u>

Notes from direct borrowings payable:

Sewer

Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$355,266, through 2024. No interest is charged.	\$ 1,065,800
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$6,355, through 2030. Administration fee is 2% per annum.	56,982
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$85,979, through 2027. No interest is charged.	429,892
Shelburne Heights sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$50,648, through 2024. No interest is charged.	151,943
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$15,527, through 2025. Administration fee is 2% per annum.	73,452
Truck note payable to the National Bank of Middlebury, due in annual principal and administration fee payments of \$101,500, through 2021. Interest rate fixed at 1.93% per annum.	87,000
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$120,115, through 2038. No interest is charged.	<u>1,963,953</u>
Total sewer notes from direct borrowings payable	<u>\$ 3,829,022</u>

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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

Governmental activities:

	Bonds payable		Notes from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2021	\$ 820,000	\$ 215,036	\$ 233,500	\$ 4,123	\$ 1,272,659
2022	765,000	208,277	40,000	1,575	1,014,852
2023	530,000	189,091	40,000	1,193	760,284
2024	505,000	176,246	40,000	803	722,049
2025	485,000	164,347	20,000	405	669,752
2026-2030	2,110,000	664,291	-	-	2,774,291
2031-2035	1,710,000	369,404	-	-	2,079,404
2036-2040	1,375,000	107,844	-	-	1,482,844
	<u>\$ 8,300,000</u>	<u>\$ 2,094,536</u>	<u>\$ 373,500</u>	<u>\$ 8,099</u>	<u>\$ 10,776,135</u>

Business-type activities:

<u>Water</u>	Bonds payable		Total Debt Service
	Principal	Interest	
2021	\$ 110,000	\$ 23,303	\$ 133,303
2022	105,000	20,332	125,332
2023	105,000	16,428	121,428
2024	95,000	11,890	106,890
2025	45,000	8,525	53,525
2026-2030	205,000	26,653	231,653
2031-2035	60,000	3,175	63,175
	<u>\$ 725,000</u>	<u>\$ 110,306</u>	<u>\$ 835,306</u>

<u>Sewer</u>	Bonds payable		Notes from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2021	\$ 44,575	\$ 25,354	\$ 664,835	\$ 40,423	\$ 775,187
2022	45,467	6,620	593,906	40,165	686,158
2023	46,376	5,710	595,756	38,129	685,971
2024	47,303	4,783	191,921	36,051	280,058
2025	48,249	3,837	194,040	33,932	280,058
2026-2030	125,389	6,897	509,622	138,254	780,162
2031-2035	18,912	548	512,696	87,789	619,945
2036-2040	-	-	566,246	34,418	600,664
	<u>\$ 376,271</u>	<u>\$ 53,749</u>	<u>\$ 3,829,022</u>	<u>\$ 449,161</u>	<u>\$ 4,708,203</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is obligated for a special assessment debt. This debt is for the Beaver Creek infrastructure. This debt is paid by the homeowners of Beaver Creek. No interest costs were capitalized during the period. The amount of proprietary fund interest costs incurred and charged to expense for the year ended June 30, 2020 was \$47,107.

NOTE 9 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 256,123	\$ -	\$ (17,889)	\$ 238,234	\$ -
Net pension liability	893,104	387,440	(133,415)	1,147,129	-
Total	<u>\$ 1,149,227</u>	<u>\$ 387,440</u>	<u>\$ (151,304)</u>	<u>\$ 1,385,363</u>	<u>\$ -</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 62,010	\$ 8,863	\$ -	\$ 70,873	\$ -
Net pension liability	147,931	62,912	(20,836)	190,007	-
Total	<u>\$ 209,941</u>	<u>\$ 71,775</u>	<u>\$ (20,836)</u>	<u>\$ 260,880</u>	<u>\$ -</u>

Please see Notes 10 and 16 for detailed information on each of the other long-term obligations.

NOTE 10 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for vacation and sick time is recorded as a long-term obligation 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. The liability as of June 30, 2020 was \$309,107.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 11 - NONSPENDABLE FUND BALANCE

The following fund balances have been restricted at June 30, 2020 for the following purposes:

General fund:	
Prepaid items	\$ <u>111,550</u>

NOTE 12 - RESTRICTED FUND BALANCES AND NET POSITION

The following fund balances and net position have been restricted at June 30, 2020 for the following purposes:

Library construction fund	\$ 51,906
Recreation related funds	174,870
Record preservation fund	105,835
Special revenue miscellaneous fund	41,940
Highway equipment fund	206,454
Police fund	142,677
Fire truck fund	58,960
Pierson library fund	24,161
Cemetery fund	308,256
Lillian Davis memorial fund	43,429
	<u>\$ 1,158,488</u>

NOTE 13 - COMMITTED FUND BALANCES

At June 30, 2020, the committed fund balances were made up of the following account balances:

General fund:	
Ambulance and rescue operations	\$ 211,557
Nonmajor capital projects funds	<u>180,953</u>
	<u>\$ 392,510</u>

NOTE 14 - ASSIGNED FUND BALANCES

At June 30, 2020, the assigned fund balances were made up of the following account balances:

Nonmajor special revenue funds	\$ 266,850
Nonmajor capital projects funds	<u>21,792</u>
	<u>\$ 288,642</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 15 - DEFICIT FUND BALANCE

At June 30, 2020, the Town had the following deficit fund balance:

Pinehaven stormwater fund	<u>\$ 41,398</u>
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NOTE 16 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-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 persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071, or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

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 Towns 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

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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](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

The Town 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:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
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



TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
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 50 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

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

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	2.750% of gross salary	5.125% of gross salary	10.250% of gross salary	11.600% of gross salary
Employer Contributions	4.250% of gross salary	5.750% of gross salary	7.500% of gross salary	10.100% of gross salary

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2020 totaled \$164,024. The Town contributed \$155,514 for the year ended June 30, 2020. The Town's total payroll for the year ended June 30, 2020 for all employees covered under this plan was \$2,487,392.

**Pension Liabilities**

*VMERS Plan*

At June 30, 2020, the Town reported a liability of \$1,337,136 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2018. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2019, the Town's proportion was 0.77072% for VMERS, which was an increase of 0.03072% from its proportion measured as of June 30, 2018 for VMERS.

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

For the year ended June 30, 2020, the Town recognized net pension expense of \$240,420 for the VMERS plan. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,239	\$ 11,558
Changes of assumptions	44,644	-
Net difference between projected and actual earnings on pension plan investments	91,073	-
Changes in proportion and differences between contributions and proportionate share of contributions	31,809	5,670
Contributions subsequent to the measurement date	155,514	-
Total	\$ 496,279	\$ 17,228

\$155,514 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS Plan
Plan year ended June 30:	
2021	\$ 126,773
2022	71,281
2023	74,832
2024	50,651
2025	-
Thereafter	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2019 measurement date was determined by rolling forward the total pension liability as of June 30, 2018 to June 30, 2019. The total pension liability was calculated using the following actuarial assumptions:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Investment Rate of Return:* 7.50%, net of pension plan investment expense, including inflation.

*Inflation:* 2.50%

*Salary Increases:* 5.00% per year

*Deaths After Retirement:* Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2006 Tables with generational improvement using Scale SSA-2018 as follows:

Pre-retirement - Groups A, B, and C blended with a 60% Blue Collar Employee and 40% Healthy Employee, and Group D with a Blue Collar Annuitant Table

Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant, and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

*Inactive Members:* Valuation liability equals 200% of accumulated contributions.

*Future Administrative Expenses:* An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

*Unknown Data for Participants:* The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

*Percent Married:* 85% of male members and 50% of female members are assumed to be married.

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

*Cost-of-Living Adjustments:* Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 COLA is 1.30% for all groups.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bonds	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%

TOWN OF SHELBURNE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50% for 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 which exceeds the actuarially determined contribution rate. 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 Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
Town's proportionate share of the net pension liability	\$ 2,192,701	\$ 1,337,136	\$ 628,886

**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 VMERS or their participating employers. 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 can be viewed on the State's Department of Finance & Management website at: [http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 17 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. (PACIF) covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the fund after that time by giving sixty days' notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the fund were to be exhausted, members would be responsible for the fund's liabilities.

The Town of also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

NOTE 18 - CONTINGENCIES

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 Town's financial position.

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

NOTE 19 - RESTATEMENTS

The net position of the water fund has been restated at January 1, 2020 to correct the liability accounts. The resulting restatement decreased the net position of the water fund by \$334,693, from \$2,476,807 to \$2,142,114.

The net position of the sewer fund has been restated to correct the long-term debt balance. The notes from direct borrowings payable balance was restated by

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 19 - RESTATEMENTS (CONTINUED)

\$5,111 from \$4,117,049 to \$4,111,938. The net position was also restated by \$521,668 to correct asset and liability accounts.

The net restatement to the beginning net position of the business-type activities was a decrease of \$851,250 from \$11,944,688 to \$11,096,438.

NOTE 20 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.



## Required Supplementary Information

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

- Budgetary Comparison Schedule - General Fund - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions

## TOWN OF SHELBURNE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 1,564,987	\$ 1,564,987	\$ 1,564,987	\$ -
Resources (Inflows):				
Property taxes	6,997,258	6,997,258	7,013,324	16,066
Intergovernmental	145,000	145,000	243,496	98,496
Charges for services	1,751,607	1,751,607	1,653,280	(98,327)
Miscellaneous revenues	664,493	664,493	422,054	(242,439)
Transfers from other funds	81,610	81,610	54,098	(27,512)
Amounts Available for Appropriation	11,204,955	11,204,955	10,951,239	(253,716)
Charges to Appropriations (Outflows):				
Current:				
General government	2,052,414	2,052,414	1,858,482	193,932
Public safety	3,795,383	3,795,383	3,087,464	707,919
Public works	1,479,364	1,479,364	1,183,100	296,264
Health and welfare	90,627	90,627	89,713	914
Culture and recreation	790,776	790,776	754,401	36,375
Intergovernmental	203,598	203,598	199,002	4,596
Employee benefits	85,730	85,730	80,095	5,635
Other	15,000	15,000	31,346	(16,346)
Debt service:				
Principal	715,628	715,628	653,500	62,128
Interest	158,144	158,144	158,144	-
Transfers to other funds	253,304	253,304	320,499	(67,195)
Total Charges to Appropriations	9,639,968	9,639,968	8,415,746	1,224,222
Budgetary Fund Balance, June 30	\$ 1,564,987	\$ 1,564,987	\$ 2,535,493	\$ 970,506

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

TOWN OF SHELBURNE, VERMONT

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>VMERS:</u>					
Proportion of the net pension liability	0.77%	0.74%	0.75%	0.72%	0.70%
Proportionate share of the net pension liability	\$ 1,337,136	\$ 1,041,035	\$ 911,479	\$ 930,087	\$ 537,005
Covered payroll	\$ 2,391,115	\$ 2,194,508	\$ 2,064,865	\$ 1,866,277	\$ 1,687,080
Proportionate share of the net pension liability as a percentage of its covered payroll	55.92%	47.44%	44.14%	49.84%	31.83%
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%

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

TOWN OF SHELBURNE, VERMONT

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>VMERS:</u>					
Contractually required contribution	\$ 155,514	\$ 145,904	\$ 129,620	\$ 122,861	\$ 109,840
Contributions in relation to the contractually required contribution	<u>(155,514)</u>	<u>(145,904)</u>	<u>(129,620)</u>	<u>(122,861)</u>	<u>(109,840)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,487,392	\$ 2,391,115	\$ 2,194,508	\$ 2,064,865	\$ 1,866,277
Contributions as a percentage of covered payroll	6.25%	6.10%	5.91%	5.95%	5.89%

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

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental 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 Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds

## TOWN OF SHELBURNE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property taxes:			
Property taxes	\$ 6,855,034	\$ 6,867,342	\$ 12,308
Special assessments	45,824	45,824	-
Late Homestead filing	14,000	13,847	(153)
Penalties	42,400	45,328	2,928
Interest income	40,000	40,983	983
Intergovernmental:			
Highway state aid	145,000	148,904	3,904
Other intergovernmental revenue	-	94,592	94,592
Charges for services:			
Licenses and fees	90,220	131,863	41,643
Highway	76,260	13,155	(63,105)
Police department	545,200	533,366	(11,834)
Cemetery	5,400	4,200	(1,200)
Planning and zoning	80,500	125,521	45,021
Water and sewer administration	95,706	95,706	-
Recreation	156,270	138,930	(17,340)
Library	-	3,473	3,473
Rescue	702,051	607,066	(94,985)
Other income:			
Investment income	500	424	(76)
Other income	663,993	421,630	(242,363)
Transfers in	81,610	54,098	(27,512)
<b>Total revenues</b>	<b><u>\$ 9,639,968</u></b>	<b><u>\$ 9,386,252</u></b>	<b><u>\$ (253,716)</u></b>

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

## TOWN OF SHELBURNE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
Selectboard	\$ 27,893	\$ 23,229	\$ 4,664
Legal services	100,000	92,039	7,961
Administration - municipal offices	118,010	76,181	41,829
Town manager	263,989	215,819	48,170
Elections	6,800	8,319	(1,519)
Finance and insurance	545,515	554,735	(9,220)
Town clerk/treasurer	247,896	239,106	8,790
Planning and zoning	286,248	250,444	35,804
Assessor's office	84,211	97,140	(12,929)
Buildings and grounds	371,852	301,470	70,382
	<u>2,052,414</u>	<u>1,858,482</u>	<u>193,932</u>
<b>PUBLIC SAFETY</b>			
Police department	1,834,310	1,550,381	283,929
Fire department	552,442	201,966	350,476
Public safety and dispatch	731,581	721,097	10,484
Rescue	677,050	614,020	63,030
	<u>3,795,383</u>	<u>3,087,464</u>	<u>707,919</u>
<b>PUBLIC WORKS</b>			
Highways	1,277,719	1,094,442	183,277
Stormwater expenses	169,990	69,607	100,383
Harbormaster	31,655	19,051	12,604
	<u>1,479,364</u>	<u>1,183,100</u>	<u>296,264</u>
<b>HEALTH AND WELFARE</b>			
Health and social services	38,777	35,000	3,777
Cemeteries	51,850	54,713	(2,863)
	<u>90,627</u>	<u>89,713</u>	<u>914</u>
<b>CULTURE AND RECREATION</b>			
Recreation programs	349,327	306,205	43,122
Library	441,449	448,196	(6,747)
	<u>790,776</u>	<u>754,401</u>	<u>36,375</u>
<b>INTERGOVERNMENTAL</b>			
County tax	73,000	70,374	2,626
Greater Burlington Industrial Development Corp.	1,200	1,200	-
Chittenden County Regional Planning	19,898	18,101	1,797
Chittenden County Transit Authority	109,500	109,327	173
	<u>203,598</u>	<u>199,002</u>	<u>4,596</u>

SCHEDULE B (CONTINUED)  
TOWN OF SHELBURNE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
<b>EMPLOYEE BENEFITS</b>	85,730	80,095	5,635
<b>OTHER</b>			
Selectboard discretionary	3,000	1,154	1,846
Community events	1,500	1,090	410
Tree conservation	9,000	3,758	5,242
Committee support	1,500	50	1,450
Miscellaneous expense	-	25,294	(25,294)
	<u>15,000</u>	<u>31,346</u>	<u>(16,346)</u>
<b>DEBT SERVICE</b>			
Principal	715,628	653,500	62,128
Interest	158,144	158,144	-
	<u>873,772</u>	<u>811,644</u>	<u>62,128</u>
<b>TRANSFERS TO OTHER FUNDS</b>			
Special revenue funds	23,071	29,833	(6,762)
Capital projects funds	193,944	254,377	(60,433)
Enterprise funds	36,289	36,289	-
	<u>253,304</u>	<u>320,499</u>	<u>(67,195)</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u>\$ 9,639,968</u>	<u>\$ 8,415,746</u>	<u>\$ 1,224,222</u>

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



## TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 26,163	\$ 26,163
Investments	-	-	263,934	263,934
Due from other funds	589,748	631,535	93,838	1,315,121
<b>TOTAL ASSETS</b>	<b><u>\$ 589,748</u></b>	<b><u>\$ 631,535</u></b>	<b><u>\$ 383,935</u></b>	<b><u>\$ 1,605,218</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 253	\$ 22,886	\$ -	\$ 23,139
Due to other funds	-	39,211	8,089	47,300
<b>TOTAL LIABILITIES</b>	<b><u>253</u></b>	<b><u>62,097</u></b>	<b><u>8,089</u></b>	<b><u>70,439</u></b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	322,645	408,091	375,846	1,106,582
Committed	-	180,953	-	180,953
Assigned	266,850	21,792	-	288,642
Unassigned	-	(41,398)	-	(41,398)
<b>TOTAL FUND BALANCES</b>	<b><u>589,495</u></b>	<b><u>569,438</u></b>	<b><u>375,846</u></b>	<b><u>1,534,779</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 589,748</u></b>	<b><u>\$ 631,535</u></b>	<b><u>\$ 383,935</u></b>	<b><u>\$ 1,605,218</u></b>

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

## SCHEDULE D

## TOWN OF SHELBURNE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 28,282	\$ 37,760	\$ -	\$ 66,042
Investment income	2,712	-	5,476	8,188
Charges for services	18,672	-	-	18,672
Other	3,194	59,880	-	63,074
<b>TOTAL REVENUES</b>	<u>52,860</u>	<u>97,640</u>	<u>5,476</u>	<u>155,976</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	1,916	-	1,916
Public works	-	1,336	-	1,336
Recreation and parks	35,863	27,826	-	63,689
Other	-	-	14,581	14,581
Debt service:				
Principal	-	110,500	-	110,500
Interest	-	4,979	-	4,979
Capital outlay	-	224,981	-	224,981
<b>TOTAL EXPENDITURES</b>	<u>35,863</u>	<u>371,538</u>	<u>14,581</u>	<u>421,982</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>16,997</u>	<u>(273,898)</u>	<u>(9,105)</u>	<u>(266,006)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	100,000	-	100,000
Transfers in	29,833	254,377	-	284,210
Transfers (out)	(54,098)	-	-	(54,098)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(24,265)</u>	<u>354,377</u>	<u>-</u>	<u>330,112</u>
<b>NET CHANGE IN FUND BALANCES</b>	(7,268)	80,479	(9,105)	64,106
<b>FUND BALANCES - JULY 1</b>	<u>596,763</u>	<u>488,959</u>	<u>384,951</u>	<u>1,470,673</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 589,495</u>	<u>\$ 569,438</u>	<u>\$ 375,846</u>	<u>\$ 1,534,779</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.

## TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2020

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<b>ASSETS</b>					
Due from other funds	\$ 175,123	\$ 266,850	\$ 105,835	\$ 41,940	\$ 589,748
<b>TOTAL ASSETS</b>	<u>\$ 175,123</u>	<u>\$ 266,850</u>	<u>\$ 105,835</u>	<u>\$ 41,940</u>	<u>\$ 589,748</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 253	\$ -	\$ -	\$ -	\$ 253
<b>TOTAL LIABILITIES</b>	<u>253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	174,870	-	105,835	41,940	322,645
Committed	-	-	-	-	-
Assigned	-	266,850	-	-	266,850
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>174,870</u>	<u>266,850</u>	<u>105,835</u>	<u>41,940</u>	<u>589,495</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 175,123</u>	<u>\$ 266,850</u>	<u>\$ 105,835</u>	<u>\$ 41,940</u>	<u>\$ 589,748</u>

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

## TOWN OF SHELBURNE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
REVENUES					
Intergovernmental	\$ -	\$ 28,282	\$ -	\$ -	\$ 28,282
Investment income	2,712	-	-	-	2,712
Charges for services	18,672	-	-	-	18,672
Other	312	-	-	2,882	3,194
<b>TOTAL REVENUES</b>	<u>21,696</u>	<u>28,282</u>	<u>-</u>	<u>2,882</u>	<u>52,860</u>
EXPENDITURES					
Current:					
Recreation and parks	22,470	1,581	-	11,812	35,863
<b>TOTAL EXPENDITURES</b>	<u>22,470</u>	<u>1,581</u>	<u>-</u>	<u>11,812</u>	<u>35,863</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(774)</u>	<u>26,701</u>	<u>-</u>	<u>(8,930)</u>	<u>16,997</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	609	-	25,624	3,600	29,833
Transfers (Out)	(150)	-	(53,948)	-	(54,098)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>459</u>	<u>-</u>	<u>(28,324)</u>	<u>3,600</u>	<u>(24,265)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(315)</u>	<u>26,701</u>	<u>(28,324)</u>	<u>(5,330)</u>	<u>(7,268)</u>
<b>FUND BALANCES - JULY 1</b>	<u>175,185</u>	<u>240,149</u>	<u>134,159</u>	<u>47,270</u>	<u>596,763</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 174,870</u>	<u>\$ 266,850</u>	<u>\$ 105,835</u>	<u>\$ 41,940</u>	<u>\$ 589,495</u>

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

## Capital Project Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2020

	Bay Park Fund	Pinehaven Stormwater Fund	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Open Land Trust Fund	Police Fund	Irish Hill Path/Bridge Fund	Fire Truck Fund	Total
<b>ASSETS</b>									
Due from other funds	\$ 45,724	\$ -	\$ 206,454	\$ 21,792	\$ 135,229	\$ 142,677	\$ 20,699	\$ 58,960	\$ 631,535
<b>TOTAL ASSETS</b>	<u>\$ 45,724</u>	<u>\$ -</u>	<u>\$ 206,454</u>	<u>\$ 21,792</u>	<u>\$ 135,229</u>	<u>\$ 142,677</u>	<u>\$ 20,699</u>	<u>\$ 58,960</u>	<u>\$ 631,535</u>
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ 2,187	\$ -	\$ -	\$ -	\$ -	\$ 20,699	\$ -	\$ 22,886
Due to other funds	-	39,211	-	-	-	-	-	-	39,211
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>41,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,699</u>	<u>-</u>	<u>62,097</u>
<b>FUND BALANCES (DEFICITS)</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	206,454	-	-	142,677	-	58,960	408,091
Committed	45,724	-	-	-	135,229	-	-	-	180,953
Assigned	-	-	-	21,792	-	-	-	-	21,792
Unassigned	-	(41,398)	-	-	-	-	-	-	(41,398)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>45,724</u>	<u>(41,398)</u>	<u>206,454</u>	<u>21,792</u>	<u>135,229</u>	<u>142,677</u>	<u>-</u>	<u>58,960</u>	<u>569,438</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 45,724</u>	<u>\$ -</u>	<u>\$ 206,454</u>	<u>\$ 21,792</u>	<u>\$ 135,229</u>	<u>\$ 142,677</u>	<u>\$ 20,699</u>	<u>\$ 58,960</u>	<u>\$ 631,535</u>

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

TOWN OF SHELBURNE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Bay Park Fund	Pinehaven Stormwater Fund	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Open Land Trust Fund	Police Fund	Irish Hill Path/Bridge Fund	Fire Truck Fund	Total
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,760	\$ -	\$ 37,760
Other	-	-	56	-	-	59,824	-	-	59,880
TOTAL REVENUES	-	-	56	-	-	59,824	37,760	-	97,640
EXPENDITURES									
Current:									
Public safety	-	-	-	-	-	1,916	-	-	1,916
Public works	-	-	-	1,336	-	-	-	-	1,336
Culture and recreation	6,900	-	-	-	20,926	-	-	-	27,826
Debt service:									
Principal	-	-	110,500	-	-	-	-	-	110,500
Interest	-	-	4,979	-	-	-	-	-	4,979
Capital outlay	-	11,573	82,609	-	-	82,606	48,193	-	224,981
TOTAL EXPENDITURES	6,900	11,573	198,088	1,336	20,926	84,522	48,193	-	371,538
EXCESS (DEFICIENCY) OF REVENUES									
OVER (UNDER) EXPENDITURES	(6,900)	(11,573)	(198,032)	(1,336)	(20,926)	(24,698)	(10,433)	-	(273,898)
OTHER FINANCING SOURCES (USES)									
Loan proceeds	-	-	100,000	-	-	-	-	-	100,000
Transfers in	18,444	-	95,500	-	35,000	45,000	10,433	50,000	254,377
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	18,444	-	195,500	-	35,000	45,000	10,433	50,000	354,377
NET CHANGE IN FUND BALANCES (DEFICITS)	11,544	(11,573)	(2,532)	(1,336)	14,074	20,302	-	50,000	80,479
FUND BALANCES (DEFICITS) - JULY 1	34,180	(29,825)	208,986	23,128	121,155	122,375	-	8,960	488,959
FUND BALANCES (DEFICITS) - JUNE 30	\$ 45,724	\$ (41,398)	\$ 206,454	\$ 21,792	\$ 135,229	\$ 142,677	\$ -	\$ 58,960	\$ 569,438

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



## Permanent Funds

Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry.

## TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2020

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,101	\$ 2,062	\$ -	\$ 26,163
Investments	-	212,416	51,518	263,934
Due from other funds	60	93,778	-	93,838
<b>TOTAL ASSETS</b>	<u>\$ 24,161</u>	<u>\$ 308,256</u>	<u>\$ 51,518</u>	<u>\$ 383,935</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 8,089	\$ 8,089
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>8,089</u>	<u>8,089</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	24,161	308,256	43,429	375,846
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>24,161</u>	<u>308,256</u>	<u>43,429</u>	<u>375,846</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 24,161</u>	<u>\$ 308,256</u>	<u>\$ 51,518</u>	<u>\$ 383,935</u>

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

TOWN OF SHELBURNE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
REVENUES				
Interest / Gains and losses	\$ 5,994	\$ 17,652	\$ (18,170)	\$ 5,476
TOTAL REVENUES	<u>5,994</u>	<u>17,652</u>	<u>(18,170)</u>	<u>5,476</u>
EXPENDITURES				
Other	-	-	14,581	14,581
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>14,581</u>	<u>14,581</u>
NET CHANGE IN FUND BALANCES	5,994	17,652	(32,751)	(9,105)
FUND BALANCES - JANUARY 1	<u>18,167</u>	<u>290,604</u>	<u>76,180</u>	<u>384,951</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 24,161</u></u>	<u><u>\$ 308,256</u></u>	<u><u>\$ 43,429</u></u>	<u><u>\$ 375,846</u></u>

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



*Proven Expertise & 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

Selectboard  
Town of Shelburne  
Shelburne, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Town of Shelburne, Vermont's basic financial statements and have issued our report thereon dated February 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Shelburne, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shelburne, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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.

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

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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 Town of Shelburne, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Shelburne, Vermont in a separate letter dated February 23, 2021.

### 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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization'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 23, 2021