

TOWN OF SHELBURNE, VERMONT

Financial Statements and Schedules

June 30, 2014

(With Independent Auditor's Report Thereon)

Love, Cody & Company, CPAs

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Independent Auditor's Report

The Selectboard
Town of Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Shelburne, Vermont as of and for the year ended June 30, 2014, 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.

Auditor's 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of June 30, 2014, 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 and budgetary comparison information on pages 4 – 12 and 19 - 28 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 combining and individual nonmajor fund financial statements (Schedules 1 and 2) and the statements of income – budget and actual - Water Fund and Sewer Fund (Schedules 3 and 4) are presented for purposes of additional analysis and are not required part of the financial statements.

The combining and individual nonmajor fund financial statements and the statements of income – budget and actual - Water Fund and Sewer Fund are the responsibility of management and were derived from and relate 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2015, on our consideration of the Town of Shelburne, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Town of Shelburne, Vermont's internal control over financial reporting and compliance.

Love, Cody & Company, CPAs, P.C.

February 9, 2015

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

Our 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, 2014. This Financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's Finances and to show the Town's accountability for the money it receives. More detailed information about the Town's financial activities can be found in the financial statements that begin with Exhibit A. If you have questions about this report or need additional Financial information, contact the Town Manager's Office at the Town of Shelburne, P.O. Box 88, Shelburne, Vermont (Phone: 802-985-5111).

Financial Highlights

- The Town's net assets (total assets less total liabilities) increased as a result of this year's operations. Net assets of our business-type activities (Water and Sewer department operations) increased by \$314,119, or 3.4%. Net assets of our governmental activities increased by \$232,342, or 2.0%.
- The cost of all of the Town's programs was \$10,762,506 this year, compared with \$9,481,330 last year.
- The General Fund reported an increase in fund balance this year of \$20,175 which was better than the balanced budget.
- The fund balance for the General Fund was \$524,801 as of June 30, 2014, compared with a fund balance of \$504,626 on June 30, 2013. Of the \$524,801 amount, \$4,771 was nonspendable for prepaid expenses and \$60,000 is assigned for fiscal 2015 expenditures.
- The Sewer Fund's net assets increased by \$295,837, or 4.3%, to \$7,100,714. The Water Fund's net assets increased by \$18,282, or 0.7%, to \$2,412,049.

Using This Annual Report

This annual report consists of a series of financial statements. The First group includes the **Statement of Net Assets and the Statement of Activities** (Exhibits A and B), which provide information about the activities of the Town as a whole and present a longer-term view of the Town's Finances. The second group includes the **Fund financial statements**, which start on Exhibit C. For governmental activities, the Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund Financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The **Notes** section after the financial statements includes detailed information for a number of items such as capital assets and debt owed by the town. Schedules 1 and 2 at the end of this report contain details and balances in special revenue and capital project fund accounts.

Reporting the Town as a Whole — Statement of Net Assets and the Statement of Activities

The financial statements of the Town as a whole are reflected on Exhibit A and B. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off economically as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of

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accumulated depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, and water/sewer system infrastructure to assess the overall financial health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** - Most of the Town's basic services are reported here, including the police, fire/rescue, public works, parks/recreation and general administration. Property taxes, fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system operations are reported here.

Reporting the Town's Most Significant Funds — Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (For example: grants received from the U.S. Department of Homeland Security for a multi-year project are accounted for in a separate fund). The only major governmental fund for the Town is the General Fund, which contains most of the Town operations (excluding water/sewer). Both of the proprietary funds (water and sewer) are also major funds.

The Town's governmental and proprietary funds use different accounting approaches.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using a measurement focus based on *current financial resources*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in Exhibits D and F.

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- **Proprietary funds** - The Town's Water and Sewer funds are both treated as enterprise funds (i.e. business-type activities), within the proprietary fund category. When the Town charges customers for the services it provides (whether to outside customers or to other funds of the Town) these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Since they use the same accounting basis, the Town's enterprise fund statements in Exhibits H-J are the same as the business-type activities we report in the government-wide statements. Exhibits H-J provide more detail and additional information, such as cash flows. Schedules 3 and 4 contain budget vs. actual results for the Water and Sewer funds, which are utilized for budget purposes and for determining user fees.

The Town as a Whole

The Town's combined net assets for the Governmental and Business-type activities increased by \$546,461 from a year ago - increasing from \$20,869,976 to \$21,416,437. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities. Recall that "net assets" are equal to the difference between total assets (after accumulated depreciation) and total liabilities.

Table 1 - Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,945,583	3,755,877	1,491,112	1,594,331	5,436,695	5,350,208
Capital assets, net	13,466,884	13,992,559	15,115,598	15,406,816	28,582,482	29,399,375
Total assets	17,412,467	17,748,436	16,606,710	17,001,147	34,019,177	34,749,583
Current liabilities	523,061	496,453	173,274	252,300	696,335	748,753
Long-term liabilities	4,985,732	5,580,651	6,920,673	7,550,203	11,906,405	13,130,854
Total liabilities	5,508,793	6,077,104	7,093,947	7,802,503	12,602,740	13,879,607
Net assets:						
Invested in capital						
assets, net	8,728,684	8,664,831	8,244,979	7,901,007	16,973,663	16,565,838
Restricted	1,478,236	1,656,955	333,640	61,184	1,811,876	1,718,139
Unrestricted	1,696,754	1,349,546	934,144	1,236,453	2,630,898	2,585,999
Total net assets	\$ 11,903,674	11,671,332	9,512,763	9,198,644	21,416,437	20,869,976

Net assets of the Town's governmental activities increased by \$232,342, or approximately 2% (\$11,903,674 compared to \$11,671,332), in fiscal year ended June 30, 2014. The amount invested in capital assets, net of related debt increased by \$63,853. Restricted net assets decreased by \$184,622 and unrestricted net assets increased by \$353,111. See our explanation later in this report of differences in actual compared to budget.

The net assets of our business-type activities (the Water & Sewer departments) increased by \$314,119, approximately 3.4%, (\$9,512,763 compared to \$9,198,644 in fiscal year 2013). The Town can only use these net assets to finance the continuing operations of the Water and Sewer systems.

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Table 2 - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,344,866	1,499,666	2,575,997	2,595,333	3,920,863	4,094,999
Operating grants	782,545	820,060	-	-	782,545	820,060
Capital grants	1,252,479	107,818	54,782	266,502	1,307,261	374,320
General revenues:						
Property taxes	5,206,631	4,683,126	-	-	5,206,631	4,683,126
Investment earnings	39,761	41,123	4,071	6,906	43,832	48,029
Other general revenues	15,501	8,197	32,334	20,408	47,835	28,605
Total revenues	8,641,783	7,159,990	2,667,184	2,889,149	11,308,967	10,049,139
Program expenses:						
General government	1,815,425	1,894,220	-	-	1,815,425	1,894,220
Public safety	2,286,124	2,320,865	-	-	2,286,124	2,320,865
Highway/Public works	1,083,293	1,174,292	-	-	1,083,293	1,174,292
Employee benefits	953,371	937,597	-	-	953,371	937,597
Recreation and parks	393,889	253,067	-	-	393,889	253,067
Library	291,073	262,133	-	-	291,073	262,133
Health and welfare	76,580	73,885	-	-	76,580	73,885
Education	55,100	30,578	-	-	55,100	30,578
Community housing & dev.	1,250,000	-	-	-	1,250,000	-
Debt service	204,586	220,982	-	-	204,586	220,982
Water	-	-	927,200	941,053	927,200	941,053
Sewer	-	-	1,425,865	1,372,659	1,425,865	1,372,659
Total expenses	8,409,441	7,167,619	2,353,065	2,313,712	10,762,506	9,481,331
Change in net assets	\$ 232,342	(7,629)	314,119	575,437	546,461	567,808

Table 3 highlights the cost of each of the Town's largest governmental activities - general government, public safety, highway department, employee benefits, recreation and parks and library - as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these activities.

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Table 3 - Governmental Activities

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,815,425	1,034,444	1,894,220	1,057,993
Public safety	2,286,124	1,459,068	2,320,865	1,389,115
Highway department	1,083,293	923,702	1,174,292	819,942
Employee benefits	953,371	953,371	937,597	937,597
Recreation and parks	393,889	95,400	253,067	(43,668)
Library	291,073	233,175	262,133	256,576
Community housing/dev.	1,250,000	-	-	-
All others	336,266	330,391	325,445	322,520
	<u>\$ 8,409,441</u>	<u>5,029,551</u>	<u>7,167,619</u>	<u>4,740,075</u>

Reporting on the Town's Individual Funds - Fund Financial Statements

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$2,715,393, which is greater than last year's total of \$2,622,885 by \$92,508. Included in this year's total change in fund balance is an increase of \$20,175 in the Town's General Fund and an increase in the nonmajor funds of \$72,333.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. No adjustments to the budget were made during the year. The General Fund ended the year with a fund balance of \$524,801. During fiscal year 2014, revenues were greater than expenditures by \$20,175, which was better than the balanced budget. While the approved budget assumed the unassigned fund balance would remain the same, the fund balance actually increased by \$20,175. Exhibit G of the financial statements shows the comparison of actual to budget for the General Fund. The most significant variances were:

Revenue Variations:

Police Judicial fees were less than budget by \$31,344 due to staff vacancies that resulted in fewer speed enforcement tickets. Revenue from police services provided to contractors and grant-funded enforcement details were greater than budget by \$91,274 and offset by corresponding expenses, fully paying for these services. Police dispatch revenues were greater than budget by \$14,823 as a result of adding a new agency served by the department. Recording fees were less than budget by \$16,215 as a result of reduced real estate recordings. Property tax revenues were less than budget by \$12,167 as a result of property tax appeals to the Board of Civil Authority. Insurance claim payments exceeded budget by \$14,501 from a claim for water damage in the Pierson Library. Cell tower revenues were greater than budget by \$11,753 as a result of a delay in one carrier not removing their equipment in FY 2014, which had been anticipated.

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Expenditure Variations:

Town Manager office expense was greater than budget by \$15,492 due to severance payments and transition assistance. Property/Liability insurance expense was greater than budget by \$28,652 due to claims paid and increased premiums. Town clerk office automation expense was less than budget due to a reduction in the amount of records digitized from what was anticipated. Building and Grounds expense was less than budget by \$24,463 due to lower maintenance and utility costs. Police salaries were greater than budget by \$21,156 due to medical leave expense and staff vacancies, which required some shifts to be filled by overtime. Grant funded police details exceeded budget by \$74,412, which was fully offset by corresponding revenues. Police capital improvement expense was less than budget by \$11,591 due to postponement of equipment upgrades in order to offset over-expenditures in other areas. Fire dept. capital expense was greater than budget by \$ 53,325 as a result of purchasing vehicle extrication equipment, which was fully paid for in 2014 instead of being financed as originally planned. Public Safety salaries were less than budget by \$14,933 due to staff vacancies. Radio tower rental fees were less than budget by \$12,000 due to delay in contracting for one location. Highway storm drainage project expense was greater than budget by \$12,320 based on the projects undertaken. This was offset by highway construction expense, which was less than budget by \$22,100. LED streetlight expense was greater than budget by \$14,501 based on the allocation of the assigned fund balance to the project. Rescue vehicle expense was greater than budget due to unanticipated repairs and capital project expense was less than budget by \$147,720 due to the delayed purchase of an ambulance. Employee Benefit costs were less than budget by \$86,643 due to lower than budgeted health and long term disability insurance premiums, staff vacancies and employee profiles.

Water Fund

The Water Fund ended with net assets of \$2,412,049 of which \$2,250,277 is net investment in plant and equipment, \$73,783 was restricted for water projects, and \$87,989 is unrestricted. Schedule 3 compares actual activity to the budget using the basis of accounting that is used for budgetary and rate setting purposes which differs from generally accepted accounting principles. The schedule reflects capital project costs and principal payments on long-term debt as expenditures and does not include depreciation expense. Using this basis of accounting, expenditures exceeded revenues by \$9,272 for fiscal year 2014, which was \$9,272 worse than the balanced budget. Water sales revenues were less than budget by \$9,082. Total revenues exceeded budget by \$7,891 due to connection fees and misc. charges. Expenditures were greater than budget by \$17,163, caused by line repairs, legal costs and a write-off for uncollectable receivables.

Sewer Fund

The Sewer Fund ended with net assets of \$7,100,714 of which \$5,994,702 is net investment in plant and equipment and \$80,410 restricted for various capital projects, leaving a balance of \$1,025,602 as unrestricted. Schedule 4 compares actual activity to the budget using the basis of accounting that is used for budgetary and rate setting purposes which differs from generally accepted accounting principles. The schedule reflects capital projects costs and principal payments on long-term debt as expenditures and does not include depreciation expense. Using this basis of accounting, revenues were greater than expenditures \$9,757 for fiscal year 2014, which was \$9,757 better than budget. Revenues were greater than budget by \$26,969 and expenses were greater than budget by \$17,212. Factors contributing to this included user fees exceeding budget by \$9,100 and revenues from outside septage haulers exceeding budget by \$6,300. Factors contributing to the negative expense variance of \$17,212 included higher than

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budgeted repair costs to plant equipment and higher sludge disposal costs. Salary and benefit costs were less than budget due to a staff vacancy and favorable benefit premiums.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the Town had \$28,582,482 invested in a broad range of capital assets, including police and fire/rescue equipment, buildings, park facilities, highway/stormwater infrastructure, vehicles and water and sewer lines (See Table 4 below). This amount represents a net decrease (including additions and deductions) of \$816,893, compared to last year.

Table 4 - Capital Assets at Year-end (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,280,571	1,280,571	11,000	11,000	1,291,571	1,291,571
Construction in progress	52,861	43,651	-	-	52,861	43,651
Buildings and improvements	3,960,384	4,264,718	-	-	3,960,384	4,264,718
Vehicles and equipment	2,258,676	2,489,130	113,529	78,567	2,372,205	2,567,697
Infrastructure	5,673,264	5,700,473	-	-	5,673,264	5,700,473
Water and sewer systems	-	-	14,991,069	15,317,249	14,991,069	15,317,249
Library	241,128	214,016	-	-	241,128	214,016
Totals	\$ 13,466,884	13,992,559	15,115,598	15,406,816	28,582,482	29,399,375

Major additions during the year ended June 30, 2014 include the following:

Fire Dept: Vehicle Extrication Tools	\$ 52,125
Highway Dept: Installation of LED streetlights	34,947
Highway Dept: Paving Sycamore St.	44,646
Library: Collections	34,400
Police Dept. : Chevrolet Police Cruiser	34,286
Rescue Dept. : Replacement Defibrulators (2)	52,280
Sewer Dept: manhole leak sealing	33,050
Town Clerks office: Microfilming/Preservation	34,086
Water Dept: Falls Rd/Marsette Rd waterline	132,539
	<u>\$ 452,359</u>

* Includes additions with a cost of \$30,000 or more.

UPCOMING CAPITAL PROJECTS

Capital projects in the Town's FY 2014-15 budget for Governmental Funds include replacement of a highway dept. truck, 3 police cruisers, a new ambulance, fire station heating system replacement, storm drainage improvements, Clerks office records automation and playground equipment replacement.

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Capital projects planned in FY 2014-2015 within the Business-type (water/sewer) activity group include water storage tanks, automated meter reading devices, a sewer pump station upgrade and tank truck replacement. More detailed information about the Town's capital assets is presented in Notes 1 and 5 of the financial statements.

Debt Administration

At June 30, 2014, the Town had \$11,608,819 in bonds and notes outstanding versus \$12,833,537 on June 30, 2013 - a decrease of \$1,224,718 - as shown in Table 5.

Table 5 - Changes in Long-term Debt

	General Bonds, Notes	Proprietary Bonds, Notes	Total
Balances June 30, 2013	\$ 5,327,728	7,505,809	12,833,537
Principal payments	(697,528)	(635,190)	(1,332,718)
Loan proceeds	108,000	-	108,000
Balances June 30, 2014	\$ 4,738,200	6,870,619	11,608,819

New debt was issued in the General Fund category for highway equipment acquisitions. New debt was issued in the Proprietary Fund group for a Sewer Department pickup truck.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2015 General Fund (Town) and Enterprise Fund (Water/Sewer), budgets, tax rates, and user fees. One of those factors was the economy and unemployment in the region. Shelburne's unemployment rate was 2.8% in June 2014, compared to 3.2% in June 2013. These rates remained below the state unemployment rate, which was 3.7% in June 2014 and 4.7% in June 2013. The Town grand list contains a mix of residential commercial and industrial properties. The total assessed value of all taxable properties in Shelburne was \$1.47 billion dollars in July 2014, which was an increase of 0.6% from 2013. Of the total grand list, 72% of the total value is from residential properties, 16% is from Commercial, Industrial and utility properties and 12% is from farm/land/miscellaneous properties. The town's commercial/industrial categories contain a mixture of retail, manufacturing and tourist uses as well as retirement communities. While real estate values have declined for some properties in the past year, Shelburne's 99.7% common level of appraisal (determined by the State of Vermont) indicates overall assessed values are at market value. Shelburne continues to be a desirable community to live in, with several new residential projects under construction or planned in the upcoming years. We have also seen an increase in commercial building projects within the last year. One hundred eighty-one building permits were issued in 2014 compared to 208 permits in 2013. The 2014 building permits are estimated to add \$18.3 million in construction costs to the grand list. Shelburne's municipal property tax rate is competitive with other Chittenden County towns that provide similar services. When adopting the budget for 2014-15, the Selectboard balanced the need to maintain existing services and town infrastructure with an affordable tax rate, given the current economic climate. The municipal tax rate of \$0.3374 in FY 2014-15 was an increase of 2.9% from FY 2013-14.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

As for the Town's business-type activities, the Selectboard approved a rate increase of 5.2% in the sewer user fee effective July 1, 2014. This increase was mainly due to debt service associated with capital projects and declining sales volumes. The water rate was increased by 3.5% to \$5.61 per thousand gallons effective July 1, 2014. Sales volumes continue to decline somewhat following the trend of prior years. The Water and Sewer budgets have experienced lower annual sales in recent years due to conservation, weather, demographics and economic conditions. The Selectboard and Water commission continue to monitor the activities of these funds closely with the objective of achieving stable rates while maintaining the system infrastructure, reliability and meeting regulatory requirements.

TOWN OF SHELBURNE, VERMONT
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash	\$ 2,302,984	1,016,024	3,319,008
Investments	386,396	-	386,396
Accounts receivable:			
Property taxes, net	199,790	-	199,790
Federal government	92,356	-	92,356
Other	191,655	-	191,655
Water/sewer and other fees	-	710,219	710,219
Prepaid expenses	4,771	-	4,771
Internal balances	237,631	(237,631)	-
Inventories	-	2,500	2,500
Total current assets	3,415,583	1,491,112	4,906,695
Noncurrent assets:			
Loan receivable	530,000	-	530,000
Capital assets, not depreciated:			
Land	1,280,571	11,000	1,291,571
Construction in progress	52,861	-	52,861
Capital assets, depreciated:			
Buildings and improvements	9,315,724	23,340,356	32,656,080
Vehicles and equipment	4,777,169	293,330	5,070,499
Infrastructure	6,451,943	-	6,451,943
Library collection	405,442	-	405,442
Accumulated depreciation	(8,816,826)	(8,529,088)	(17,345,914)
Total capital assets	13,466,884	15,115,598	28,582,482
Total noncurrent assets	13,996,884	15,115,598	29,112,482
Total assets	\$ 17,412,467	16,606,710	34,019,177
Liabilities:			
Current liabilities:			
Accounts payable	\$ 369,761	158,480	528,241
Deferred revenue	55,805	14,794	70,599
Accrued interest	23,543	-	23,543
Accrued salaries	73,952	-	73,952
Bonds and notes payable due within one year	684,200	715,197	1,399,397
Total current liabilities	1,207,261	888,471	2,095,732
Noncurrent liabilities:			
Accrued compensated absences	247,532	50,054	297,586
Bonds and notes payable due after one year	4,054,000	6,155,422	10,209,422
Total noncurrent liabilities	4,301,532	6,205,476	10,507,008
Total liabilities	5,508,793	7,093,947	12,602,740
Net position:			
Unrestricted	1,696,754	1,113,591	2,810,345
Restricted for:			
Capital projects	37,576	154,193	191,769
Endowments	481,757	-	481,757
Special projects	428,903	-	428,903
Community development	530,000	-	530,000
Invested in capital assets, net	8,728,684	8,244,979	16,973,663
Total net position	\$ 11,903,674	9,512,763	21,416,437

See accompanying notes to financial statements.

TOWN OF SHELburnE, VERMONT
Statement of Activities
June 30, 2014

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,815,425	517,627	263,354	-	(1,034,444)	-	(1,034,444)
Public safety	2,286,124	585,655	241,401	-	(1,459,068)	-	(1,459,068)
Highway/Public works	1,083,293	12,198	144,914	2,479	(923,702)	-	(923,702)
Community housing & devel.	1,250,000	-	-	1,250,000	-	-	-
Health and welfare	76,580	3,075	2,800	-	(70,705)	-	(70,705)
Education	55,100	-	-	-	(55,100)	-	(55,100)
Recreation and parks	393,889	226,311	72,178	-	(95,400)	-	(95,400)
Library	291,073	-	57,898	-	(233,175)	-	(233,175)
Employee benefits	953,371	-	-	-	(953,371)	-	(953,371)
Debt management	204,586	-	-	-	(204,586)	-	(204,586)
Total governmental activities	8,409,441	1,344,866	782,545	1,252,479	(5,029,551)	-	(5,029,551)
Business-type activities:							
Water	927,200	920,875	-	-	-	(6,325)	(6,325)
Sewer	1,425,865	1,655,122	-	54,782	-	284,039	284,039
Total business-type activities	2,353,065	2,575,997	-	54,782	-	277,714	277,714
Total primary government	\$ 10,762,506	3,920,863	782,545	1,307,261	(5,029,551)	277,714	(4,751,837)
General revenues:							
Property taxes					5,206,631	-	5,206,631
Investment earnings					39,761	4,071	43,832
Miscellaneous					15,501	32,334	47,835
Total general revenues and transfers					5,261,893	36,405	5,298,298
Change in net assets					232,342	314,119	546,461
Net position - beginning					11,671,332	9,198,644	20,869,976
Net position - ending					\$ 11,903,674	9,512,763	21,416,437

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 630,199	1,672,785	2,302,984
Investments	-	386,396	386,396
Due from federal government	92,356	-	92,356
Accounts receivable - other	107,640	84,015	191,655
Delinquent taxes receivable	199,790	-	199,790
Prepaid expenses	4,771	-	4,771
Due from other funds	135,978	836,202	972,180
Note receivable	-	530,000	530,000
Total assets	\$ 1,170,734	3,509,398	4,680,132
Liabilities:			
Accounts payable	\$ 363,047	6,714	369,761
Accrued payroll	73,952	-	73,952
Due to other funds	-	734,549	734,549
Deferred revenue	208,934	577,543	786,477
Total liabilities	645,933	1,318,806	1,964,739
Fund Balances:			
Nonspendable	4,771	-	4,771
Restricted:			
Permanent funds	-	481,757	481,757
Special revenue funds	-	428,903	428,903
Capital projects funds	-	37,576	37,576
Committed:			
Special revenue funds	-	950,468	950,468
Capital projects funds	60,000	138,829	198,829
Assigned:			
Capital projects funds	-	212,543	212,543
Unassigned	460,030	(59,484)	400,546
Total fund balances	524,801	2,190,592	2,715,393
Total liabilities and fund balances	\$ 1,170,734	3,509,398	4,680,132

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2014

Total fund balances - governmental funds (from page 15)	\$	2,715,393	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,466,884
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds:			
Deferred note revenue	\$	530,000	
Deferred rescue transport billing		47,543	
Deferred property taxes		<u>153,129</u>	730,672
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
Bonds and notes payable	\$	4,738,200	
Accrued interest on bonds and notes payable		23,543	
Accrued compensated absences		<u>247,532</u>	(5,009,275)
Net position of governmental activities (page 13)			<u>\$ 11,903,674</u>

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues:			
Property taxes, net of adjustments	\$ 5,108,061	-	5,108,061
Penalties and interest	75,522	-	75,522
Intergovernmental revenues	729,532	1,281,663	2,011,195
Contributions and grants	8,362	188,305	196,667
Charges for services	188,799	-	188,799
Investment income	348	39,413	39,761
Fees and licenses	444,473	329,673	774,146
Building rental and lease	140,116	-	140,116
Other	25,277	11,648	36,925
Total revenues	6,720,490	1,850,702	8,571,192
Expenditures:			
General government	1,600,450	35,346	1,635,796
Public safety	2,103,126	50,043	2,153,169
Highway/Public works	945,876	156	946,032
Community housing and development	-	1,250,000	1,250,000
Health and welfare	74,793	-	74,793
Education	-	55,100	55,100
Recreation and parks	251,560	64,273	315,833
Library	260,800	-	260,800
Employee benefits	958,762	-	958,762
Debt management	723,658	178,456	902,114
Capital outlays	-	34,286	34,286
Total expenditures	6,919,025	1,667,660	8,586,685
Excess (deficiency) of revenues over expenditures	(198,535)	183,042	(15,493)
Other financing sources (uses):			
Loan proceeds	-	108,000	108,000
Operating transfers in	417,035	439,769	856,804
Operating transfers out	(198,325)	(658,478)	(856,803)
	218,710	(110,709)	108,001
Excess of revenues and other financing sources over expenditures and other financing uses	20,175	72,333	92,508
Fund balance, July 1, 2013	504,626	2,118,259	2,622,885
Fund balance, June 30, 2014	\$ 524,801	2,190,592	2,715,393

See accompanying 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
 Year Ended June 30, 2014

Net change in fund balances - total governmental funds (from page 17)	\$ 92,508
Revenues in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenues in the funds. This amount represents an increase in deferred property taxes and rescue transport billings.	70,591
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(525,676)
In the statement of activities, accrued compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences used exceeded the amounts earned.	5,391
Issuance of long-term obligations is recorded as an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.	(108,000)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	697,528
Change in net position of governmental activities (page 14)	\$ <u>232,342</u>

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property taxes:			
Property taxes	\$ 5,070,796	5,058,629	(12,167)
Special assessments	51,387	51,387	-
Penalties and interest	67,500	75,522	8,022
Abatements and adjustments	-	(1,955)	(1,955)
	<u>5,189,683</u>	<u>5,183,583</u>	<u>(6,100)</u>
Administration			
Liquor licenses	2,600	3,210	610
Animal licenses	5,550	6,035	485
Fish and game licenses	100	53	(47)
Marriage/Civil Union licenses	550	420	(130)
Recording fees	60,000	43,785	(16,215)
Passport fees and photos	6,000	11,350	5,350
Miscellaneous	400	255	(145)
Copier use	6,500	7,525	1,025
Vital statistics copies	3,500	3,961	461
Other fees	2,350	1,911	(439)
	<u>87,550</u>	<u>78,505</u>	<u>(9,045)</u>
Highway revenue:			
Received for state aid/grant	145,240	144,914	(326)
Construction reimbursements	-	2,479	2,479
Permits	14,100	11,442	(2,658)
Miscellaneous	-	83	83
	<u>159,340</u>	<u>158,918</u>	<u>(422)</u>
Police department:			
Judicial fees	70,000	38,656	(31,344)
Special duty reimbursement	52,000	62,369	10,369
Governor's Highway Safety grants	-	68,821	68,821
Dispatch contracts	180,356	195,179	14,823
E911 operation grant	90,000	90,000	-
Other	23,900	40,430	16,530
	<u>416,256</u>	<u>495,455</u>	<u>79,199</u>
Cemeteries			
	<u>1,400</u>	<u>2,800</u>	<u>1,400</u>
Planning and zoning:			
Permits and fees	47,350	42,402	(4,948)
Grant revenue	55,800	57,762	1,962
	<u>103,150</u>	<u>100,164</u>	<u>(2,986)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation department:			
Sale of beach stickers	\$ 9,550	12,804	3,254
Fees and recreation programs	129,460	126,467	(2,993)
	<u>139,010</u>	<u>139,271</u>	<u>261</u>
Library revenue	-	5,414	5,414
Financial management:			
Investment interest	2,000	348	(1,652)
	<u>2,000</u>	<u>348</u>	<u>(1,652)</u>
Miscellaneous revenue			
Administration - water and sewer	85,000	85,000	-
Rescue First aid/CPR class fees	-	2,252	2,252
Insurance claims	-	14,501	14,501
Fire/Rescue grants/other	-	7,387	7,387
Other	3,500	3,903	403
Compost bin sales	-	1,000	1,000
VLCT PACIF grant	-	2,389	2,389
RBS business development grant	-	7,500	7,500
Payment in lieu of taxes	5,800	5,973	173
State current use tax payment	111,800	112,317	517
Act 60 Administration	38,000	41,749	3,749
Cellular tower fees	68,700	80,453	11,753
Mooring fees	44,500	51,492	6,992
CSSU Village center lease	64,000	64,000	-
CSSU building maint. Allocation	36,600	35,606	(994)
Use of Town Hall /Town Center	12,000	12,774	774
Pierson Building lease	28,569	27,736	(833)
	<u>498,469</u>	<u>556,032</u>	<u>57,563</u>
Total revenues	\$ 6,596,858	6,720,490	123,632
Expenditures:			
Select Board			
Salaries	\$ 6,300	6,300	-
Selectboard's expenses	6,600	8,556	(1,956)
VLCT dues	8,062	8,062	-
Town reports	1,900	2,106	(206)
	<u>22,862</u>	<u>25,024</u>	<u>(2,162)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Legal Services	\$ 55,000	46,694	8,306
Administration - Municipal Offices			
Office supplies	7,000	5,155	1,845
Computer hardware	5,500	6,045	(545)
Telephone	10,000	5,476	4,524
Computer software	4,500	3,415	1,085
Technical assistance	5,000	7,258	(2,258)
Training	8,400	6,564	1,836
Office equipment and repair	1,000	1,307	(307)
Postage	18,000	17,854	146
Copier expense	5,900	6,149	(249)
Computer technical assistance	10,000	11,312	(1,312)
CSSU data line	3,300	3,048	252
	<u>78,600</u>	<u>73,583</u>	<u>5,017</u>
Town Manager			
Salaries	141,323	159,165	(17,842)
Manager's expenses	2,300	716	1,584
Vehicle expense	2,500	2,376	124
Emergency management	1,000	358	642
	<u>147,123</u>	<u>162,615</u>	<u>(15,492)</u>
Elections			
Salaries	1,200	713	487
Election expense	1,500	846	654
BCA expenses	500	141	359
	<u>3,200</u>	<u>1,700</u>	<u>1,500</u>
Finance and Insurance			
Salaries	169,401	163,872	5,529
Property and liability insurance	182,200	197,703	(15,503)
Insurance claims - deductible	5,000	18,149	(13,149)
Auditing	15,900	11,600	4,300
	<u>372,501</u>	<u>391,324</u>	<u>(18,823)</u>
Town Clerk / Treasurer			
Salaries	124,817	125,704	(887)
Expense	2,200	1,463	737
Office expenses	5,500	4,290	1,210
Microfilming and preservation	6,000	3,035	2,965
Records automation	70,000	34,086	35,914
Computer software and hardware	1,000	1,000	-
	<u>209,517</u>	<u>169,578</u>	<u>39,939</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Planning and Zoning</i>			
Salaries	\$ 140,165	137,445	2,720
Planning expense	7,000	6,475	525
Conferences and training	900	350	550
Town Plan and special projects	70,800	-	70,800
GRNT RPC PL2014-01 FORM C	-	57,176	(57,176)
VT DEHCD MP2013-00038	-	17,460	(17,460)
Planning assistance	6,500	6,409	91
Independent technical review	2,500	-	2,500
GIS software	450	400	50
	<u>228,315</u>	<u>225,715</u>	<u>2,600</u>
<i>Assessor's Office</i>			
Salaries	35,866	35,866	-
Administrative assistant	26,215	26,501	(286)
Assessor expenses	3,500	4,744	(1,244)
	<u>65,581</u>	<u>67,111</u>	<u>(1,530)</u>
<i>Buildings and Grounds</i>			
Salaries	93,795	90,319	3,476
Town Center operating expenses	40,500	33,229	7,271
Town parade ground expenses	-	365	(365)
Town Center building maintenance	8,500	6,756	1,744
Town Hall operating expense	1,600	150	1,450
Town Hall building maintenance	3,700	2,333	1,367
Town Hall heating fuel	9,000	7,426	1,574
Town Center heating fuel	20,000	20,576	(576)
Town Center Utilities	50,300	48,274	2,026
Pierson Building utilities and maintenance	5,000	601	4,399
Recreation fields maintenance	10,000	4,948	5,052
LaPlatte overlook path	-	2,955	(2,955)
	<u>242,395</u>	<u>217,932</u>	<u>24,463</u>
<i>Public Works</i>			
Stormwater engineering and planning	3,000	2,347	653
Stormwater permits	9,300	9,702	(402)
Stormwater maintenance	8,000	6,827	1,173
Munroe Brook Flow Restoration project	-	1,944	(1,944)
	<u>20,300</u>	<u>20,820</u>	<u>(520)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Harbormaster			
Salaries	\$ 4,917	5,327	(410)
Mooring inspections/maintenance	12,300	12,673	(373)
Seasonal dock installation/removal	8,454	7,700	754
Maintenance/administration	300	259	41
	<u>25,971</u>	<u>25,959</u>	<u>12</u>
Police Department			
Salaries	789,694	810,850	(21,156)
Overtime salaries	106,713	116,343	(9,630)
Special duty details	25,000	24,493	507
Office	8,000	10,880	(2,880)
Telephone	11,000	13,173	(2,173)
Radio	10,000	13,679	(3,679)
Travel and conferences	2,500	1,988	512
Photos	6,300	2,064	4,236
Training	7,500	8,838	(1,338)
Gasoline	50,400	45,410	4,990
Tires	3,300	2,558	742
Vehicle maintenance and repairs	9,500	12,365	(2,865)
General equipment	4,500	6,632	(2,132)
Fingerprint equipment and supplies	3,000	4,010	(1,010)
Uniform purchases	8,000	4,928	3,072
Uniform cleaning	4,000	3,954	46
Computer maintenance	15,600	7,434	8,166
Building maintenance	2,000	3,620	(1,620)
Matching funds	1,000	-	1,000
Capital improvement	14,000	2,409	11,591
Animal enforcement	2,500	3,871	(1,371)
Police/C.U.S.I.	6,546	6,546	-
Other grants	-	6,573	(6,573)
Governors Highway Safety grants	-	74,412	(74,412)
	<u>1,091,053</u>	<u>1,187,030</u>	<u>(95,977)</u>
Fire Department			
Salaries	34,000	33,917	83
Office supplies and phones	8,810	4,454	4,356
Building heat and service	9,500	12,980	(3,480)
Fire prevention - training	6,000	5,673	327
Radio maintenance	6,210	5,963	247
Protective clothing	16,000	20,413	(4,413)
Gas and oil	6,500	5,462	1,038
Fire fighting supplies	4,500	3,384	1,116
Equipment maintenance	20,515	22,826	(2,311)

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Fire Department (continued)</i>			
Building maintenance	\$ 3,000	7,286	(4,286)
Equipment	9,920	10,668	(748)
Improvements	10,000	52,525	(42,525)
Rescue boat expense	-	7,966	(7,966)
Periodicals	2,000	961	1,039
Physicals/PFT test	4,000	3,754	246
Membership events and incentives	5,500	1,547	3,953
	<u>146,455</u>	<u>199,779</u>	<u>(53,324)</u>
<i>Public Safety and Dispatch</i>			
Dispatch salaries	339,680	300,081	39,599
Overtime salaries	45,828	70,494	(24,666)
Training	3,000	3,447	(447)
Uniforms	1,600	1,198	402
Capital improvements	6,000	3,618	2,382
Dispatch radio equipment	12,855	4,487	8,368
Pritchard Mountain tower fees	12,000	9	11,991
Computer use	17,020	13,340	3,680
	<u>437,983</u>	<u>396,674</u>	<u>41,309</u>
<i>Public Works - Highways</i>			
Salaries	252,995	242,277	10,718
Overtime salaries	28,375	33,299	(4,924)
Interdepartmental assistance	1,835	1,066	769
Road maintenance	25,000	22,372	2,628
Drainage System/culvert maintenance	15,000	27,320	(12,320)
Construction Projects	45,000	22,899	22,101
Farmstead Drive signage	-	108	(108)
Retreatment/repaving	300,000	306,414	(6,414)
Sidewalk/paths engineering	1,000	-	1,000
Garage heating fuel	7,400	7,402	(2)
Engineering services	1,500	3,912	(2,412)
Street signs	3,000	2,361	639
Winter sand	-	6,691	(6,691)
Winter salt	90,000	93,353	(3,353)
Garage utilities	11,450	10,060	1,390
Uniforms	3,900	2,999	901
Gas and diesel	38,800	37,199	1,601
Equipment repair and maintenance	47,000	45,822	1,178
Street and caution lights	8,500	12,437	(3,937)
Garage supplies	5,000	5,926	(926)
Building maintenance	5,000	4,757	243
Line striping and crosswalks	5,500	1,881	3,619
Street light upgrade	20,000	34,501	(14,501)
	<u>916,255</u>	<u>925,056</u>	<u>(8,801)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Health and Social Services			
Health Officer salary	\$ 875	-	875
Visiting Nurse Association	20,000	20,000	-
Social services	18,000	18,000	-
Health Officer expenses	450	-	450
	<u>39,325</u>	<u>38,000</u>	<u>1,325</u>
Rescue			
Medical supplies	25,000	26,193	(1,193)
Rescue overtime	1,288	181	1,107
Uniforms	2,500	1,566	934
Operating	14,500	17,047	(2,547)
Miscellaneous	-	47	(47)
Transport billing expense	14,000	16,972	(2,972)
Oxygen	3,000	5,294	(2,294)
Training	5,000	2,220	2,780
Office	2,000	2,123	(123)
Office equipment	2,000	55	1,945
Communications	4,500	2,339	2,161
Vehicle	7,000	17,280	(10,280)
Building heating fuel	2,000	1,936	64
Building utilities	4,500	6,471	(1,971)
Building maintenance	4,500	24,356	(19,856)
Volunteer compensation	16,500	16,437	63
Volunteer incentive compensation	66,000	38,050	27,950
Compensation - full/part-time	43,807	62,807	(19,000)
Capital improvements	200,000	52,280	147,720
Immunizations	150	30	120
Public education	500	-	500
	<u>418,745</u>	<u>293,684</u>	<u>125,061</u>
Cemeteries			
Salaries	28,663	24,754	3,909
Supplies and tools	1,000	749	251
Committee expenses	100	63	37
Gas expense	1,200	1,441	(241)
Equipment maintenance	500	559	(59)
Equipment purchases	250	488	(238)
Capital projects	5,000	4,810	190
Outside services	3,000	2,948	52
Cremation garden	800	981	(181)
	<u>40,513</u>	<u>36,793</u>	<u>3,720</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Recreation			
Administrative salaries	\$ 75,612	75,940	(328)
Administrative expenses	4,160	4,228	(68)
Public information	6,850	6,317	533
Beach salaries	15,810	15,516	294
Equipment	1,375	892	483
Utilities	1,735	1,646	89
Adult sports leagues	100	-	100
Dog obedience	3,150	2,527	623
Dog park expense	11,500	11,179	321
Davis Park	22,710	14,832	7,878
Park maintenance	5,955	6,088	(133)
Martial arts	5,130	2,285	2,845
Beach maintenance	2,000	735	1,265
Lacrosse programs	12,179	9,746	2,433
Swim lessons	50	33	17
Youth basketball	5,108	3,287	1,821
Babe Ruth baseball	5,760	3,567	2,193
Summer soccer camp	-	737	(737)
Softball	4,152	5,145	(993)
Youth soccer	6,924	10,845	(3,921)
Little league baseball	26,975	22,839	4,136
Lacrosse camp	-	200	(200)
Rec. programs - non-league	30,315	33,471	(3,156)
Special events and concerts	12,600	11,539	1,061
Ski program	7,425	7,966	(541)
	<u>267,575</u>	<u>251,560</u>	<u>16,015</u>
Library			
Salaries	180,356	171,459	8,897
Supplies	5,500	6,647	(1,147)
Materials	40,000	41,052	(1,052)
Books, tapes and periodicals	-	41	(41)
Building	6,500	9,535	(3,035)
Utilities	15,300	15,296	4
Equipment purchase and maintenance	1,800	1,526	274
Public information	1,250	584	666
Administrative	2,000	1,418	582
Programs	4,000	4,094	(94)
Computer hardware and software	6,450	9,148	(2,698)
	<u>263,156</u>	<u>260,800</u>	<u>2,356</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Debt Management			
Fire truck note	\$ 52,158	52,700	(542)
Town Center project	335,228	335,228	-
Highway sand and salt shed	33,017	33,017	-
Recreation fields project	115,428	115,428	-
Bike Path bond 2008 issue	28,386	28,386	-
Recreation path bond 2010 issue	29,227	29,907	(680)
Beach sea wall 2010 issue	17,551	17,744	(193)
Beaver Creek 2010 issue	51,387	51,387	-
Dispatch radio equipment	18,800	19,453	(653)
Mount Philo Sidewalk 2010	5,245	5,265	(20)
Harbor Road sidewalk	35,143	35,143	-
	<u>721,570</u>	<u>723,658</u>	<u>(2,088)</u>
Intergovernmental			
County tax	62,923	62,923	-
G.B.I.C.	1,200	1,200	-
Chittenden County Regional Planning	18,152	18,150	2
Chittenden County Transit Authority	101,583	101,583	-
	<u>183,858</u>	<u>183,856</u>	<u>2</u>
Employee Benefits			
Retirement	135,342	136,494	(1,152)
Unemployment compensation	6,327	1,543	4,784
HRA expenses	141,160	101,985	39,175
Health ins./flex spending admin. Expense	21,205	19,886	1,319
Social security	211,437	223,475	(12,038)
Health insurance	464,500	413,643	50,857
Long-term disability insurance	22,161	11,185	10,976
Dental and life insurance	41,573	47,625	(6,052)
Employee assistance program	700	684	16
Employee events/recognition	-	1,812	(1,812)
Immunizations	1,000	430	570
	<u>1,045,405</u>	<u>958,762</u>	<u>86,643</u>
Miscellaneous			
Selectboard discretionary	3,700	2,832	868
Community events	1,500	1,489	11
Tree conservation	1,000	4,525	(3,525)
Committee support	3,500	2,859	641
Compost bin sales	-	1,000	(1,000)
RBS business development grant	-	21,645	(21,645)
Miscellaneous expense	-	968	(968)
	<u>9,700</u>	<u>35,318</u>	<u>(25,618)</u>
Total expenditures	<u>7,052,958</u>	<u>6,919,025</u>	<u>133,933</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	\$ (456,100)	(198,535)	257,565
<i>Other financing sources (uses)</i>			
Transfer from Records Preservation Fund	70,000	34,086	(35,914)
Transfer from Cemetery Fund	8,000	8,000	-
Transfer from Baseball Fund	16,405	10,413	(5,992)
Transfer from Rec Scholarship SEP Fund	-	355	355
Transfer from LAX Fund	-	300	300
Transfer from Ambulance Fund	453,170	288,578	(164,592)
Transfer from Bay Park Fund	2,000	2,000	-
Transfer from Recreation Impact Fees	55,000	55,000	-
Transfer from L. Bisson Fund	-	860	860
Transfer from Dog Fund	5,850	5,000	(850)
Transfer from special revenue funds	24,000	1,073	(22,927)
Transfer from Davis Park Fund	20,000	11,370	(8,630)
Transfer to Police Cruiser	(43,725)	(43,725)	-
Transfer to Equipment Replacement Fund	(131,000)	(131,000)	-
Transfer to Cemetery Tractor Fund	(1,600)	(1,600)	-
Transfer to Community Fund	(2,000)	(2,000)	-
Transfer to Open Space Fund	(20,000)	(20,000)	-
	<u>456,100</u>	<u>218,710</u>	<u>(237,390)</u>
<i>Excess of revenues and other financing sources over expenditures and other financing uses</i>	\$ <u>-</u>	20,175	<u>20,175</u>
<i>Fund balance, July 1, 2013</i>		<u>504,626</u>	
<i>Fund balance, June 30, 2014</i>		\$ <u>524,801</u>	

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Net Position
Proprietary Funds
June 30, 2014

	Sewer Fund	Water Fund	Totals
Assets:			
Current assets:			
Cash and cash equivalents - restricted	\$ 267,642	748,382	1,016,024
User fee receivables:			
Billed user fees	60,583	23,795	84,378
Unbilled user fees	390,319	218,294	608,613
Allowance for doubtful accounts	(10,000)	-	(10,000)
Accounts receivable - other	19,978	7,250	27,228
Inventories	-	2,500	2,500
Due from other funds	481,059	-	481,059
Total current assets	1,209,581	1,000,221	2,209,802
Capital assets:			
Land	11,000	-	11,000
Buildings, improvements and distribution and collection systems	18,535,912	4,804,444	23,340,356
Vehicles and equipment	194,069	99,261	293,330
Less accumulated depreciation	(6,800,660)	(1,728,428)	(8,529,088)
Total non-current assets	11,940,321	3,175,277	15,115,598
Total assets	\$ 13,149,902	4,175,498	17,325,400
Liabilities:			
Current liabilities:			
Accounts payable	\$ 84,961	73,519	158,480
Due to other funds	-	718,690	718,690
Deferred revenue	3,889	10,905	14,794
Bonds payable, current portion	630,197	85,000	715,197
Total current liabilities	719,047	888,114	1,607,161
Bonds payable, less current portion	5,315,422	840,000	6,155,422
Compensated absences	14,719	35,335	50,054
Total liabilities	6,049,188	1,763,449	7,812,637
Net Position:			
Invested in capital assets, net	5,994,702	2,250,277	8,244,979
Restricted for:			
Sewer capital improvements	75,838	-	75,838
Route 7 sewer project	4,572	-	4,572
Water projects	-	73,783	73,783
Unrestricted	1,025,602	87,989	1,113,591
Total net position	7,100,714	2,412,049	9,512,763
Total liabilities and net position	\$ 13,149,902	4,175,498	17,325,400

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Sewer Fund	Water Fund	Totals
<i>Operating revenues:</i>			
Usage fees	\$ 1,628,991	842,655	2,471,646
Cut-in fees and tank space rent	-	48,800	48,800
Interest and penalties	26,131	11,766	37,897
Meter reading contract	-	17,654	17,654
Miscellaneous	10,471	21,863	32,334
	1,665,593	942,738	2,608,331
<i>Operating expenses:</i>			
Personnel services and benefits	365,404	259,637	625,041
Administrative expenses	42,500	42,500	85,000
Water supply and engineering	-	324,420	324,420
Sludge removal	89,519	-	89,519
Facility maintenance and utilities	238,401	117,315	355,716
Electricity	173,575	-	173,575
Meter reading contract	17,654	-	17,654
General insurance	25,162	10,000	35,162
Depreciation	408,920	105,498	514,418
Other	43,559	33,256	76,815
Total operating expenses	1,404,694	892,626	2,297,320
<i>Operating income</i>	260,899	50,112	311,011
<i>Nonoperating revenues (expenses):</i>			
Interest and dividend income	1,327	2,744	4,071
Interest expense	(21,171)	(34,574)	(55,745)
	(19,844)	(31,830)	(51,674)
<i>Income before capital contributions and operating transfers</i>	241,055	18,282	259,337
Capital contributions - capacity fees	54,782	-	54,782
	54,782	-	54,782
<i>Change in net position</i>	295,837	18,282	314,119
<i>Total net position - beginning</i>	6,804,877	2,393,767	9,198,644
<i>Total net position - ending</i>	\$ 7,100,714	2,412,049	9,512,763

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Totals
Cash flows from operating activities:			
Cash receipts from customers	\$ 1,630,031	898,803	2,528,834
Other operating cash receipts	10,471	39,517	49,988
Cash payments to suppliers of goods or services	(613,859)	(616,710)	(1,230,569)
Cash payments to employees for services	(365,404)	(256,406)	(621,810)
Net cash provided by operating activities	661,239	65,204	726,443
Cash flows from non-capital financing activities:			
Operating transfers from (to) other funds	54,782	-	54,782
Advances from (to) other funds	145,491	59,923	205,414
Net cash used in non-capital financing activities	200,273	59,923	260,196
Cash flows from capital and related financing activities:			
Principal payments on bonds	(567,440)	(67,750)	(635,190)
Interest paid on long-term debt	(21,171)	(34,574)	(55,745)
Purchase of capital assets	(91,027)	(132,499)	(223,526)
Net cash provided by (used in) capital and related financing activities	(679,638)	(234,823)	(914,461)
Cash flows from investing activities:			
Interest on cash investments	1,327	2,744	4,071
Net cash provided by investing activities	1,327	2,744	4,071
Net increase (decrease) in cash	183,201	(106,952)	76,249
Cash, beginning	84,441	855,008	939,449
Cash, ending	\$ 267,642	748,056	1,015,698
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 260,899	50,112	311,011
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	408,920	105,498	514,418
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable and other receivables	(21,202)	(4,418)	(25,620)
Increase (decrease) in accounts payable and accrued liabilities	12,622	(85,988)	(73,366)
Net cash provided by operating activities	\$ 661,239	65,204	726,443

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies*

(a) *Financial Reporting Entity*

The Town of Shelburne, Vermont (the Town), was chartered in 1763. The Town operates under a Selectboard-Manager form of government. The Town's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water and sewer system.

The accompanying financial statements of the Town of Shelburne, Vermont include all of the financial activity of the general government, special revenue funds, capital projects funds, permanent funds, water department and sewer department. All these components are included because they are under the direct control of the Select Board and the Town Manager. The Town exercises significant oversight and financial interdependence exists. The Town is not a component unit of another reporting entity.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). Business-type activities and proprietary funds of governments are also required to follow the Statements and Interpretations of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Town has elected to apply FASB Statements and Interpretations issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established in GAAP and used by the Town are discussed below.

(b) *Basis of Presentation*

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements.

Government-wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the Town. Eliminations have been made to minimize the effect of internal transactions between funds. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(b) *Basis of Presentation (continued)*

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. GASB No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The General Fund is shown as a major governmental fund. The Sewer and Water Funds are major proprietary funds. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

The following funds are used by the Town:

Governmental Funds

The Town reports on the following major governmental funds:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the major enterprise funds of the Town:

Sewer Fund is used to account for the operations of the Sewer Department.

Water Fund is used to account for the operations of the Water Department.

The fund statements provide information about the Town's funds. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds, however because the Town has only one non-major fund in each fund type, they are reported in individual columns.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(c) *Measurement Focus and Basis of Accounting*

The Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues other than property taxes reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year. Property taxes are recognized to the extent collected within sixty days of fiscal year end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

(d) *Budgets and Budgetary Accounting*

The Town approves a budget for the General Fund at an annual Town Meeting and the Selectboard based on the budget and Grand List determines the tax rate. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). The budgeted amounts are as originally adopted.

(e) *Prepaid Expenses*

The Town uses the allocation method to account for prepaid expenses. The prepaid expenses are established at the date of payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment.

(f) *Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more and infrastructure improvements with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. GASB No. 34 requires the Town to report and depreciate new general infrastructure assets effective with the beginning of fiscal year 2004. The Town is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies (continued)**

(f) **Capital Assets (continued)**

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land and improvements	10 - 20 years
Buildings and facilities	10 - 100 years
Vehicles and equipment	5 - 20 years
Water and sewer system	30 - 50 years
Infrastructure	20 - 50 years
Library collection	5 - 10 years

(g) **Cash and Cash Equivalents**

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the Town's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

(h) **Investments**

Investments, including deferred compensation and pension funds, are stated at fair value, (quoted market price, or the best available estimate).

(i) **Long-term Debt and Deferred Charges**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Accumulated unpaid vacation pay is accrued in proprietary funds (using the accrual basis of accounting). The current portion of accumulated unpaid vacation pay is accrued in governmental funds (using the modified accrual basis of accounting).

(j) **Governmental Fund Balance/Net Assets**

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance is either not in spendable form (such as inventory), or is required to be maintained intact legally or contractually.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(j) Governmental Fund Balance/Net Assets (continued)

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Selectboard). To be reported as committed, amounts cannot be used for any other purpose unless the Selectboard takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Selectboard or by an official or body to which the Selectboard Council delegates the authority. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Selectboard establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Selectboard through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, the Town will consider applicable restrictions, time-constraints and conditions specified in grants or otherwise when determining the order of spending from each fund category.

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted resources are used first to fund appropriations when there are both restricted and unrestricted resources available.

Unrestricted – This category includes both designated and undesignated net assets of the Town. Designated net assets include reserves that were established by the Board, which are considered internally designated. Undesignated net assets are not restricted for any project or other purpose.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(k) Interfund Activities

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements, except for the net amounts due between governmental and business-type activities, which are reported as "Internal Balances".

(l) Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Explanation of Certain Differences Between Governmental Fund Statements and the Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the Town's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the categories listed below.

1. Long-Term Revenue and Expense Differences - Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(2) *Explanation of Certain Differences Between Governmental Fund Statements and the Government-wide Statements (continued)*

2. Long-Term Debt Transaction Differences - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.
3. Capital Assets - Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

(3) *Deposits and Investments*

The Treasurer invests excess cash according to policies established by the Selectboard.

Deposits

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Of the Town's June 30, 2014 bank balance of \$3,376,460, none of it is exposed to custodial credit risk. \$1,089,391 is covered through FDIC insurance, and \$2,287,069 is collateralized but uninsured.

Investment Securities

Investment securities at June 30, 2014 consisted of the following:

Mutual funds	\$ 169,278
Vermont Community Foundation	101,941
Common stock	115,177
	<u>\$ 386,396</u>

Credit Risk - Investments. The Town has an investment policy that limits its investment choices to policies set by the Selectboard.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The \$101,941 held by the Vermont Community Foundation is exposed to custodial credit risk.

The Town is not restricted by state statute as to the type of investments that it is authorized to hold. The Town invested primarily in collateralized and insured certificates of deposit during the fiscal year ended June 30, 2014.

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(4) Loan Receivable – Special Revenue Funds

The loans receivable consist of the following:

Due from Shelburne Housing Ltd. Partnership, 0% interest, due December 31, 2033	\$ 530,000
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The repayment of this loan is required to be placed in a Revolving Loan Fund managed by the Town for support of future activities eligible under Title 1 of the Federal Housing and Community Development Act of 1974, as amended. The loan is offset by deferred revenue in the fund financial statements and recorded as restricted net assets under the government-wide financial statements.

(5) Internal Balances

Internal balances at June 30, 2014 consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 135,978	-
Nonmajor funds:		
Education Fees Impact Fund	28,448	-
Recreation Related Funds	58,121	-
Ambulance Fund	-	623,277
Open Land Trust Fund	211,047	-
Act 60 Reappraisal Fund	61,396	-
Library Freeman Grant Fund	224	-
Record Preservation Fund	54,231	-
Other Special Revenue Funds	70,108	-
Bay Park Fund	27,022	-
Highway Equipment Fund	189,415	-
Highway Salt/Sand Fund	-	36,227
Police Fund	70,538	-
Police HSU Grants Fund	-	59,484
Recreation Shoulder Fund	-	473
Cemetery Fund	65,652	-
Lillian Davis Memorial Fund	-	15,088
Total nonmajor funds	836,202	734,549
Proprietary Funds:		
Sewer	481,059	-
Water	-	718,690
Total proprietary funds	481,059	718,690
Total	\$ 1,453,239	1,453,239

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(5) *Internal Balances (continued)*

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Internal transfers for the year ended June 30, 2014 were as follows:

Transfer From	Transfer To	Amount
General Fund	Nonmajor Funds	\$ (198,325)
Nonmajor Funds	General Fund	417,035
		\$ 218,710

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(6) *Capital Assets*

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,280,571	-	-	1,280,571
Construction in progress	43,651	9,210	-	52,861
Total assets not depreciated	1,324,222	9,210	-	1,333,432
Capital assets being depreciated:				
Buildings and improvements	9,291,892	23,832	-	9,315,724
Equipment and vehicles	4,667,389	145,183	(35,403)	4,777,169
Infrastructure	6,325,596	126,347	-	6,451,943
Library collection	336,956	68,486	-	405,442
Total assets being depreciated	20,621,833	363,848	(35,403)	20,950,278
Less accumulated depreciation for:				
Buildings and improvements	(5,027,174)	(328,166)	-	(5,355,340)
Equipment and vehicles	(2,178,259)	(375,637)	35,403	(2,518,493)
Infrastructure	(625,123)	(153,556)	-	(778,679)
Library collection	(122,940)	(41,374)	-	(164,314)
Total accumulated depreciation	(7,953,496)	(898,733)	35,403	(8,816,826)
Governmental activities capital assets, net	\$ 13,992,559	(525,675)	-	13,466,884

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(6) Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$	222,925
Public safety		250,108
Highway		242,042
Health and welfare		1,787
Recreation and parks		117,198
Library		64,673
	\$	<u>898,733</u>

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Business-type activities:				
Water Fund:				
Buildings and improvements	\$ 4,671,905	132,539	-	4,804,444
Equipment and vehicles	99,261	-	-	99,261
Totals at historical cost	4,771,166	132,539	-	4,903,705
Less accumulated depreciation for:				
Buildings and improvements	(1,537,999)	(100,833)	-	(1,638,832)
Equipment and vehicles	(84,931)	(4,665)	-	(89,596)
Total accumulated depreciation	(1,622,930)	(105,498)	-	(1,728,428)
Water Fund capital assets, net	\$ 3,148,236	27,041	-	3,175,277
Sewer Fund:				
Land	\$ 11,000	-	-	11,000
Construction in progress	-	-	-	-
Buildings and improvements	18,495,790	33,050	-	18,528,840
Equipment and vehicles	143,164	57,977	-	201,141
Totals at historical cost	18,649,954	91,027	-	18,740,981
Less accumulated depreciation for:				
Buildings and improvements	(6,312,816)	(390,567)	-	(6,703,383)
Equipment and vehicles	(78,924)	(18,353)	-	(97,277)
Total accumulated depreciation	(6,391,740)	(408,920)	-	(6,800,660)
Sewer Fund capital assets, net	\$ 12,258,214	(317,893)	-	11,940,321

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) Long-term Liabilities

Long-term debt at June 30, 2014 was as follows:

<i>Governmental Funds</i>	Total	Due in One Year
Town Center payable to Vermont Municipal Bond Bank, annual principal payments of \$235,000 plus semi-annual interest payments at 3.62% to 5.18%, due December 1, 2021.	\$ 1,880,000	235,000
Capital improvement (bike/pedestrian path, Spear Street) note payable, Vermont Municipal Bond Bank, annual principal payments of \$20,000, interest at 3.964%, matures November 15, 2023.	200,000	20,000
Recreation facilities and sand/salt shed payable to Vermont Municipal Bond Bank, annual principal payments of \$75,000 to 135,000, plus semi-annual interest payments at 3% to 4.49%, due November 15, 2025.	960,000	105,000
Capital improvement (Fire truck, Beach seawall, Webster Road Path) note payable, Vermont Municipal Bond Bank, annual principal payments of \$15,000 to \$85,000, interest at 1.033% to 3.426%, matures November 15, 2030.	730,000	85,000
Special assessment debt, Beaver Creek Infrastructure, Vermont Municipal Bond Bank, annual principal payments of \$30,000, plus semi-annual interest payments at 1.54% to 5.05%, due November 15, 2030.	510,000	30,000
Capital equipment (truck) note payable to the Vermont Municipal Equipment Loan Fund, interest at 2.0%, annual principal payments of \$22,000, matures December 31, 2016.	66,000	22,000
Capital equipment (PSIC Grant Public Safety Equipment) note payable to the National Bank of Middlebury, interest at 0.95%, annual principal payments of \$49,200, matures June 23, 2015.	49,200	49,200
Capital Improvement (bike/pedestrian path/ sidealk, Webster Road, Harbor Road) note payable, Vermont Municipal Bond Bank, annual principal payments of \$25,000 to \$30,000, interest at 2.34% matures November 15, 2022.	235,000	30,000
Capital equipment (truck) note payable to the National Bank of Middlebury, interest at 0.95%, annual principal payments of \$72,000, matures July 22, 2014.	72,000	72,000

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) Long-term Liabilities (continued)

<i>Governmental Funds</i>	Total	Due in One Year
Capital equipment (truck) note payable to the National Bank of Middlebury, interest at 0.95%, annual principal payments of \$36,000, matures May 22, 2015.	36,000	36,000
Total long-term bonds and notes payable	\$ 4,738,200	684,200
Accrued compensated absences	247,532	-
Total governmental funds	\$ 4,985,732	684,200
<hr/>		
<i>Proprietary Funds</i>	Total	Due in One Year
<i>Sewer Fund</i>		
Sewer upgrade note payable to State of Vermont revolving loan fund, total available \$7,495,636, non-interest-bearing, annual principal payments of \$384,817.	\$ 3,463,355	384,817
Sewer upgrade note payable to State of Vermont revolving loan fund, total loan \$103,909, 2% admin fee, annual payments of \$6,355.	86,283	4,629
Sewer upgrade note payable to State of Vermont revolving loan fund, total available \$1,620,247, non-interest-bearing, annual principal payments of \$85,979.	945,764	85,979
Shelburne Heights sewer upgrade note payable to State of Vermont revolving loan fund, total loan \$1,011,823 non-interest-bearing, annual principal payments of \$50,648.	455,829	50,648
Sewer bond payable to State of Vermont Revolving Loan Fund; total loan \$698,450, 2% admin fee, annual payments of \$42,715, matures April 1, 2027.	484,745	33,020
Bond payable - Vermont Municipal Bond Bank, admin. fee of 2%, maturing September, 2031, annual principal and interest payments of \$9,371, after debt forgiveness through ARRA.	293,139	6,561
Sewer upgrade note payable to State of Vermont revolving loan fund, total loan \$199,511, 2% admin fee, annual payments of \$15,527 matures July 1, 2025.	164,204	12,243
Capital equipment (trucks) note payable to the National Bank of Middlebury, interest at 0.95%, annual principal payments of \$38,500 matures May 22, 2015.	38,500	38,500

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) Long-term Liabilities (continued)

<i>Proprietary Funds (continued)</i>	Total	Due in One Year
Capital equipment (generator) note payable to the National Bank of Middlebury, interest at 0.95%, annual principal payments of \$13,800 matures June 23, 2015.	\$ 13,800	13,800
Total sewer funds long-term bond and notes payable	\$ 5,945,619	630,197
 <i>Water Fund</i>		
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$50,000 to 55,000, interest at 3.57 to 4.69%, matures December 1, 2023.	\$ 545,000	55,000
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of between \$5,000 and \$10,000 plus interest at 3.0% to 4.38%, matures November 15, 2020.	35,000	5,000
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of between \$20,000 and \$25,000 plus interest at 0.44% to 4.33%, matures November 15, 2028.	345,000	25,000
Total water fund long-term bond and notes payable	925,000	85,000
Accrued compensated absences	50,054	-
Total proprietary funds	\$ 6,920,673	715,197

Bonds payable mature annually in varying amounts through fiscal year 2029, and interest is generally payable semiannually at rates ranging from 3 percent to 6 percent.

Maturities of bonds payable are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 684,200	182,065	866,265	715,197	24,248	739,445
2016	527,000	160,762	687,762	664,026	47,346	711,372
2017	487,000	65,587	552,587	665,178	43,247	708,424
2018	460,000	44,173	504,173	666,352	37,821	704,173
2019	460,000	39,350	499,350	667,550	34,842	702,393
2020-2024	1,640,000	141,641	1,781,641	2,896,116	105,570	3,001,686
2025-2029	390,000	45,352	435,352	410,299	19,200	429,499
2030-2034	90,000	4,047	94,047	185,901	1,213	187,114
	\$ 4,738,200	682,977	5,421,177	6,870,618	313,487	7,184,105

All bonds payable are secured by the general revenue raising powers of the Town.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) Long-term Liabilities (continued)

Changes in long-term liabilities for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<i>Governmental Activities</i>					
Bonds and notes payable	\$ 5,327,728	108,000	(697,528)	4,738,200	684,200
Accrued absences	252,923	-	(5,391)	247,532	-
<i>Governmental activities long-term liabilities</i>	<i>\$ 5,580,651</i>	<i>108,000</i>	<i>(702,919)</i>	<i>4,985,732</i>	<i>684,200</i>
<i>Business-type Activities</i>					
Bonds and notes payable	\$ 7,505,809	-	(635,190)	6,870,619	715,197
Accrued absences	44,394	5,660	-	50,054	-
<i>Business-type activities long-term liabilities</i>	<i>\$ 7,550,203</i>	<i>5,660</i>	<i>(635,190)</i>	<i>6,920,673</i>	<i>715,197</i>

(8) Deferred Revenue

Deferred revenue in the fund financial statements at June 30, 2013 consisted of the following:

	General Fund	Nonmajor Funds
Delinquent taxes not collected within 60 days of the balance sheet date	\$ 153,129	-
Registrations received in advance	47,278	-
Rental security deposit	7,577	-
Concert Donations received in advance	950	-
Community development loans	-	530,000
Total deferred revenue	\$ 208,934	530,000

(9) Property Taxes

The Town is responsible for assessing and collecting property taxes for both the Town and Town School District. Property taxes are assessed based on valuations as of April 1, annually. Property taxes were due in three equal installments on August 15, November 15, and March 15. All late payments are subject to an 8.0% penalty, and interest is calculated at 1.5% per month. Town property tax revenue is recognized for the period for which the tax is levied to the extent they result in current receivables, which will be collected within 60 days of the fiscal year end.

The tax rate for the year ended June 30, 2014 was as follows:

	Residential	Non-Residential
General Fund	\$ 0.3470	0.3470
Local Agrmt. Veterans Exemption	0.0007	0.0007
School	1.3814	1.4371
Total tax rate	\$ 1.7291	1.7848

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(10) **Fund Balances**

At June 30, 2014, the Town's fund balances were restricted, committed or assigned as follows:

Permanent Funds, Restricted:

Pierson Library Fund	\$ 146,738
Cemetery Fund	234,930
Lillian Davis Memorial Fund	100,089
Total permanent funds, restricted	<u>\$ 481,757</u>

Special Revenue Funds, Restricted:

Education Impact Fees Fund	\$ 65,602
Recreation related funds	191,609
ACT 60 reappraisal grants	110,126
Library - Freeman Fund Grant	224
Other special revenue funds:	
L. Holland Fund	13,883
Shelburne 250th Anniversary Fund	6,314
Ireland Stone Gate Fund	2,903
Historical Fund	2,412
Fire Department Operations Fund	610
Veterans Monument Fund	35,220
Total special revenue funds, restricted	<u>\$ 428,903</u>

Capital Projects Funds, Restricted:

Police Fund	\$ 7,953
Recreation Path Shoulder Project Fund	29,623
Total capital projects funds, restricted	<u>\$ 37,576</u>

Special Revenue Funds, Committed:

Ambulance Fund	\$ 602,323
Record Preservation Trust Fund	122,555
Shelburne Social Service Community Fund	2,050
Open Land Trust Fund	211,047
Cemetery Tractor Fund	11,012
VLCT Health Leader Fund	1,481
Total special revenue funds, committed	<u>\$ 950,468</u>

Capital Projects Funds, Committed:

Bay Park Fund	\$ 27,022
Police Fund	111,807
Total capital projects funds, committed	<u>\$ 138,829</u>

Capital Projects Funds, Assigned:

Highway Equipment Fund	\$ 189,415
Highway Salt/Sand Shed Fund	23,128
Total capital projects funds, assigned	<u>\$ 212,543</u>

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(11) *Pension Plan*

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary and subject to approval by the VMERS Board of Directors and the Vermont Legislature.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates in Group B and Group C.

Of the Town's total payroll of \$3,323,639, \$1,574,155 was covered under the VMERS defined benefit plan. The total employer contribution to this plan was \$88,257 for fiscal year 2014, \$81,954 for fiscal year 2013, \$75,498 for fiscal year 2012, \$66,674 for fiscal year 2011 and \$61,104 for fiscal year 2010.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Defined Contribution Plan

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$3,323,639, \$1,364,596 was covered under the VMERS defined contribution plan. The employer contributions to this plan amounted to \$69,936 for the fiscal year ended June 30, 2014 and \$75,423 for the year ended June 30, 2013.

(12) *Risk Management*

The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The Town purchases commercial insurance coverage for the risks of losses to which it is exposed, exclusive of environmental liabilities which are not covered due to the excessive cost of coverage.

(13) *Contingencies*

(a) Litigation-General

The Town is party to various legal actions which normally occur in governmental operations. The amounts of any settlements under these actions are expected to be within the limits of the Town's insurance coverage and are not likely to have a material adverse effect on the affected funds of the Town.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(13) Contingencies (continued)

(b) Federal and State Grants

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of such audits is not believed to be material.

(14) Subsequent Events

The Town has evaluated subsequent events through February 9, 2015, the date on which the financial statements were available to be issued.

TOWN OF SHELBURNE, VERMONT
 Combining Balance Sheet
 All Nonmajor Funds
 June 30, 2014

	Special Revenue Funds									
	Community Development Fund	Education Impact Fees	Recreation Related Funds	Ambulance Fund	ACT 60 Reappraisal Fund	Library Freeman Grant Fund	Open Land Trust Fund	Record Preservation Fund	Other	
Assets:										
Cash	-	37,154	140,082	1,189,128	48,730	-	-	68,324	5,897	
Investments	-	-	-	-	-	-	-	-	-	
Other receivables	-	-	-	84,015	-	-	-	-	-	
Loan receivable	530,000	-	-	-	-	-	-	-	-	
Due from other funds	-	28,448	58,121	-	61,396	224	211,047	54,231	70,108	
Total assets	530,000	65,602	198,203	1,273,143	110,126	224	211,047	122,555	76,005	
Liabilities and Fund Balances										
Liabilities										
Accounts payable	-	-	6,594	-	-	-	-	-	120	
Due to other funds	-	-	-	623,277	-	-	-	-	-	
Deferred revenue	530,000	-	-	47,543	-	-	-	-	-	
Total liabilities	530,000	-	6,594	670,820	-	-	-	-	120	
Fund balances										
Restricted	-	65,602	191,609	-	110,126	224	-	-	61,342	
Committed	-	-	-	602,323	-	-	211,047	122,555	14,543	
Assigned	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	
Total fund balances	-	65,602	191,609	602,323	110,126	224	211,047	122,555	75,885	
Total liabilities and fund balances	\$ 530,000	65,602	198,203	1,273,143	110,126	224	211,047	122,555	76,005	

(continued)

TOWN OF SHELburnE, VERMONT
 Combining Balance Sheet (Continued)
 All Nonmajor Funds
 June 30, 2014

	Capital Project Funds							Permanent Funds			Total All Nonmajor Funds	
	Bay Park Fund	Bike Path Grant	Webster Road Upgrade	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Police Fund	Police HSU Fund	Recreation Shoulder Fund	Pierson Library Fund	Cemetery Fund		Lillian Davis Memorial Fund
Assets:												
Cash	\$ -	-	-	-	59,355	49,222	-	30,096	44,797	-	-	1,672,785
Investments	-	-	-	-	-	-	-	-	101,941	169,278	115,177	386,396
Other receivables	-	-	-	-	-	-	-	-	-	-	-	84,015
Loan receivable	-	-	-	-	-	-	-	-	-	-	-	530,000
Due from other funds	27,022	-	-	189,415	-	70,538	-	-	-	65,652	-	836,202
Total assets	27,022	-	-	189,415	59,355	119,760	-	30,096	146,738	234,930	115,177	3,509,398
Liabilities and Fund Balances												
Liabilities												
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	6,714
Due to other funds	-	-	-	-	36,227	-	59,484	473	-	-	15,088	734,549
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	577,543
Total liabilities	-	-	-	-	36,227	-	59,484	473	-	-	15,088	1,318,806
Fund balances												
Restricted	-	-	-	-	-	7,953	-	29,623	146,738	234,930	100,089	948,236
Committed	27,022	-	-	-	-	111,807	-	-	-	-	-	1,089,297
Assigned	-	-	-	189,415	23,128	-	-	-	-	-	-	212,543
Unassigned	-	-	-	-	-	-	(59,484)	-	-	-	-	(59,484)
Total fund balances	27,022	-	-	189,415	23,128	111,807	(59,484)	29,623	146,738	234,930	100,089	2,190,592
Total liabilities and fund balances	\$ 27,022	-	-	189,415	59,355	111,807	-	30,096	146,738	234,930	115,177	3,509,398

TOWN OF SHELburnE, VERMONT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
All Nonmajor Funds
Year Ended June 30, 2014

	Special Revenue Funds									
	Community Development Fund	Education Impact Fees	Recreation Related Funds	Ambulance Fund	ACT 60 Reappraisal Fund	Library Grant Fund	Open Land Trust Fund	Record Preservation Fund	Other	
Revenues:										
Intergovernmental grants	\$ 1,250,000	-	-	-	28,238	-	-	-	-	-
Contributions and grants	-	-	46,993	54,955	-	-	-	-	-	74,056
Fees and licenses	-	65,523	35,548	199,226	-	-	-	25,628	-	-
Interest on investments	-	7	132	1,647	-	-	763	-	-	85
Other	-	-	-	-	-	-	-	-	-	-
Total revenues	1,250,000	65,530	82,673	255,828	28,238	-	763	25,628	-	74,141
Expenditures:										
General government	-	-	-	-	264	-	-	-	-	31,344
Community housing and development	1,250,000	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	13	-	-	-	-	-	491
Education	-	55,100	-	-	-	-	-	-	-	-
Recreation	-	-	53,400	-	-	-	-	-	-	9,330
Library	-	-	-	-	-	-	-	-	-	-
Highway	-	-	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,250,000	55,100	53,400	13	264	-	-	-	-	41,165
Excess (deficiency) of revenues over expenditures	-	10,430	29,273	255,815	27,974	-	763	25,628	-	32,976
Other financing sources (uses):										
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	20,000	-	-	3,600
Operating transfers out	(1,000)	-	(85,913)	(288,578)	-	-	-	(34,086)	-	-
Total other financing sources (uses)	(1,000)	-	(85,913)	(288,578)	-	-	20,000	(34,086)	-	3,600
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,000)	10,430	(56,640)	(32,763)	27,974	-	20,763	(8,458)	-	36,576
Fund balances - July 1, 2013	1,000	55,172	248,249	635,086	82,152	224	190,284	131,013	-	39,309
Fund balances - June 30, 2014	\$ -	65,602	191,609	602,323	110,126	224	211,047	122,555	-	75,985

(continued)

TOWN OF SHELburnE, VERMONT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
 All Nonmajor Funds
 Year Ended June 30, 2014

	Capital Project Funds										Permanent Funds			Total All Nonmajor Funds
	Bay Park Fund	Bike Path Grant	Webster Road Upgrade	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Police Fund	Police HSU Fund	Recreation Shoulder Fund	Piereson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund			
Revenues:														
Intergovernmental grants	-	-	-	-	-	3,425	-	-	-	-	-	-	-	1,281,663
Contributions and grants	-	-	-	-	-	139	-	-	-	-	2,972	-	-	186,305
Fees and licenses	-	-	-	673	-	-	-	-	-	3,075	-	-	-	329,673
Interest on investments	97	-	-	-	59	-	-	3	-	-	11,808	-	-	39,413
Other	-	-	-	-	-	11,648	-	-	-	-	-	-	-	11,648
Total revenues	97	-	-	673	59	15,212	-	3	9,686	27,391	14,780	-	-	1,850,702
Expenditures:														
General government	-	-	-	-	-	-	-	-	3,738	-	-	-	-	35,346
Land conservation/open land	-	-	-	-	-	-	-	-	-	-	-	-	-	1,250,000
Public safety	-	-	-	-	-	2,943	-	-	-	-	-	-	-	50,043
Education	-	-	-	-	-	-	46,596	-	-	-	-	-	-	55,100
Recreation/parks	-	-	-	-	-	-	-	-	-	1,543	-	-	-	64,273
Library	-	-	-	-	-	-	-	-	-	-	-	-	-	156
Highway	-	-	-	156	-	-	-	-	-	-	-	-	-	4,728
Debt service - interest	-	-	-	4,728	-	-	-	-	-	-	-	-	-	173,728
Debt service - principal	-	-	-	173,728	-	-	-	-	-	-	-	-	-	34,286
Capital outlays	-	-	-	-	-	34,286	-	-	-	-	-	-	-	34,286
Total expenditures	-	-	-	178,612	-	37,229	46,596	-	9,738	1,543	-	-	-	1,867,660
Excess (deficiency) of revenues over expenditures	97	-	-	(177,939)	59	(22,017)	(46,596)	3	5,948	25,848	14,780	-	-	183,042
Other financing sources (uses):														
Loan proceeds	-	-	-	108,000	-	-	-	-	-	-	-	-	-	108,000
Operating transfers in	-	-	241,444	131,000	-	43,725	-	-	-	-	-	-	-	439,769
Operating transfers out	(2,000)	(227,531)	-	-	-	-	-	-	-	(8,000)	(11,370)	-	-	(658,478)
Total other financing sources (uses)	(2,000)	(227,531)	241,444	239,000	-	43,725	-	-	-	(8,000)	(11,370)	-	-	(110,709)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,903)	(227,531)	241,444	61,061	59	21,708	(46,596)	3	5,948	17,848	3,410	-	-	72,333
Fund balances - July 1, 2013	28,925	227,531	(241,444)	128,354	23,069	98,052	(12,888)	29,620	140,790	217,082	96,679	-	-	2,118,259
Fund balances - June 30, 2014	\$ 27,022	-	-	189,415	23,128	119,760	(59,484)	29,623	146,738	234,930	100,089	-	-	2,190,592

TOWN OF SHELBURNE, VERMONT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Water Fund
Year Ended June 30, 2014

	Original and Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues and transfers:			
Water sales	\$ 851,737	842,655	(9,082)
Cut-ins	18,000	23,400	5,400
Interest income	3,000	2,744	(256)
Tank space rent	25,400	25,400	-
Interest & penalties	13,000	11,766	(1,234)
Transfer from Sewer Fund	17,654	17,654	-
Other	8,800	21,863	13,063
Total revenues and transfers	937,591	945,482	7,891
Expenditures and transfers:			
Accounting and auditing	2,200	2,200	-
Bad debt expense	-	9,599	(9,599)
Building maintenance	1,000	520	480
Computer services	2,000	-	2,000
Debt service	101,643	102,324	(681)
Engineering	8,000	6,170	1,830
Equipment and large tools	2,000	1,112	888
Equipment rental and subcontractors	50,000	64,626	(14,626)
Hydrant replacement	7,000	3,638	3,362
Insurance - dental, disability and life	5,522	4,849	673
Insurance - general	10,000	10,000	-
Insurance - health	55,327	48,366	6,961
Legal	5,000	11,570	(6,570)
Materials	5,000	9,059	(4,059)
Meter replacement	5,700	18,575	(12,875)
Mileage	300	-	300
Miscellaneous	3,000	4,459	(1,459)
Outside labor	800	148	652
Office supplies	1,600	1,433	167
Postage	2,500	2,203	297
Pump station	3,000	3,564	(564)
Radio maintenance	-	-	-
Rent/administration	42,500	42,500	-
Retirement	9,133	9,303	(170)
Salaries - regular	161,502	165,336	(3,834)
Salaries - overtime	16,987	18,341	(1,354)
Small tools	1,000	685	315
Social security	13,654	13,443	211
State water quality fee	7,732	7,416	316
Tank maintenance	-	-	-
Telephones/pagers	3,500	3,408	92
Training	1,500	735	765
Uniforms	2,600	2,108	492
Valve Replacement/maintenance	7,000	20	6,980
Vehicle gas and oil	7,000	7,221	(221)
Vehicle repair and maintenance	2,500	3,689	(1,189)
Water purchases	324,091	310,834	13,257
Transfer to Capital Improvement Fund	65,300	65,300	-
Total expenditures and transfers	937,591	954,754	(17,163)
Excess (deficiency) of revenues over expenditures	\$ -	(9,272)	(9,272)

This schedule is presented using the basis of accounting used for budgeting purposes which is different than generally accepted accounting principles. The above schedule presents principal payments on long-term debt as an expenditure and does not reflect depreciation expense.

TOWN OF SHELBURNE, VERMONT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Sewer Fund
Year Ended June 30, 2014

	Original and Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues and transfers:			
User fees	\$ 1,613,556	1,628,991	15,435
Interest and penalties	25,000	26,131	1,131
Other	1,400	10,476	9,076
Interest income	-	1,327	1,327
Transfer from Sewer Expansion Fund	40,000	40,000	-
Total revenues and transfers	<u>1,679,956</u>	<u>1,706,925</u>	<u>26,969</u>
Expenditures and transfers:			
Wages - regular	252,030	238,193	13,837
Wages - overtime	23,932	23,914	18
Administration	42,500	42,500	-
Health and dental insurance	69,342	57,659	11,683
Social security	20,858	18,041	2,817
Employee retirement	13,990	12,397	1,593
Other employee benefits	18,876	15,200	3,676
Electricity	166,117	173,575	(7,458)
Heating fuel and utilities	39,140	37,892	1,248
Plant maintenance	69,200	99,637	(30,437)
Collection system maintenance	90,000	46,245	43,755
Collection system capital improvements	20,000	33,050	(13,050)
Chemicals	34,000	51,615	(17,615)
Meter reading contract	17,654	17,654	-
Lab testing and equipment	21,000	23,857	(2,857)
Property and liability insurance	28,000	25,162	2,838
Truck expense	19,000	20,701	(1,701)
Training/travel	5,000	3,257	1,743
Sludge disposal	55,000	89,519	(34,519)
Safety equipment	1,500	3,946	(2,446)
SCADA system maintenance	2,000	1,943	57
Debt service	632,217	624,212	8,005
Office	5,300	5,665	(365)
Professional services	15,300	11,813	3,487
Other	3,000	4,521	(1,521)
Transfer to Capital Improvement Fund	15,000	15,000	-
Total expenditures	<u>1,679,956</u>	<u>1,697,168</u>	<u>(17,212)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>9,757</u>	<u>9,757</u>

This schedule is presented using the basis of accounting used for budgeting purposes which is different than generally accepted accounting principles. The above schedule presents principal payments on long-term debt as an expenditure and does not reflect depreciation expense. In addition, transactions related to the Sewer expansion project including state construction aid are not consolidated into the totals.



**Independent Auditor's 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***

The Selectboard
Town of 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Shelburne, Vermont, as of and for the year ended June 30, 2014, 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 9, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Love, Coody & Company, CPAs, P.C.

February 9, 2015

Vt. Reg. #357

TOWN OF SHELBURNE, VERMONT

SINGLE AUDIT REPORT

June 30, 2014

Love, Cody & Company, CPAs



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Selectboard
Town of Shelburne, Vermont

Report on Compliance for Each Major Federal Program

We have audited Town of Shelburne, Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Shelburne, Vermont's major federal programs for the year ended June 30, 2014. Town of Shelburne, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Shelburne, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Shelburne, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Town of Shelburne, Vermont, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Town of Shelburne, Vermont, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Shelburne, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Shelburne, Vermont's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Shelburne, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Shelburne, Vermont's basic financial statements. We issued our report thereon dated February 9, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 9, 2015.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Love, Cody & Company, CPAs, P.C.

March 24, 2015

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF SHELBURNE, VERMONT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Agriculture</u>				
Rural Business Enterprise Grants	10.769	RBS000683	\$ 23,000	\$ 14,145
Total U.S. Department of Agriculture				<u>14,145</u>
 <u>U.S. Department of Housing and Urban Development</u>				
Passed through Vermont Agency of Commerce and Community Development				
Community Development Block Grants/State's Program	14.228	07110-IG-2011	668,750	521,625
Community Development Block Grants/State's Program	14.228	07110-IG-2011	581,250	482,438
Total U.S. Department of Housing and Urban Development				<u>1,004,063</u>
 <u>U.S. Department of Transportation</u>				
Passed through Chittenden County Regional Planning Commission: <u>Federal Highway Administration</u>				
Highway Planning and Construction	20.205	GR0340 PL2014-01	55,000	45,400
Total Passed through Chittenden County Reg. Planning Commission				<u>45,400</u>
 Passed through Vermont Department of Public Safety: <u>National Highway Traffic Safety Administration</u>				
State and Community Highway Safety	20.600	02140-1213-2130	67,400	9,816
State and Community Highway Safety	20.600	02140-1213-2131	17,000	2,121
State and Community Highway Safety	20.600	02140-1314-1033	10,000	2,313
State and Community Highway Safety	20.600	02140-1314-1034A	12,000	8,202
State and Community Highway Safety	20.600	02140-1314-2046	5,000	5,000
				<u>27,452</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1113-5029	82,700	22,710
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1113-5030	25,000	1,665
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1114-5033	15,000	3,659
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	02140-1114-5034A	9,000	5,708
				<u>33,742</u>
Total Passed through Vermont Department of Public Safety:				<u>61,194</u>
Total U.S. Department of Transportation				<u>106,594</u>
 <u>Institute of Museum and Library Services</u>				
Passed through Vermont Department of Libraries				
Grants to States	45.310	01230-PL-FFY13-00095	623	623
Total Institute of Museum and Library Services				<u>623</u>
 <u>U.S. Department of Health and Human Services</u>				
Passed through Chittenden County Regional Planning Commission: Substance Abuse and Mental Health Services - Projects of Regional and National Significance				
	93.243	12SP19423A BPFS START 2014	13,500	7,628
Total U.S. Department of Health and Human Services				<u>7,628</u>
 <u>US Department of Homeland Security</u>				
Passed through Vermont Department of Public Safety:				
Homeland Security Grant Program	97.067	02140-71164V-103	9,103	5,511
Homeland Security Grant Program	97.067	02140-71264V-103	10,540	6,573
				<u>12,084</u>
Total Expenditures of Federal Awards			\$	<u>1,145,137</u>

TOWN OF SHELBURNE, VERMONT

Notes to Schedule of Expenditures of Federal Awards

(1) ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Town of Shelburne, Vermont, (the "Town"), under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets or cash flows of Town of Shelburne, Vermont.

(2) ***Basis of Accounting***

The basis of accounting is the same basis as that used in the financial statements.

The amounts reported as federal expenditures were obtained from the Town's records of the programs. Federal expenditures were then reconciled to the general ledger which is the source of the financial statements.

(3) ***Matching Costs***

Matching costs, the Town's share of certain program costs, are not included in the reported expenditures.

TOWN OF SHELBURNE, VERMONT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Audit Results:

1. The auditors' report expresses an unqualified opinion on the financial statements of Town of Shelburne, Vermont.
2. No instances of noncompliance material to the financial statements of Town of Shelburne, Vermont, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. The auditors' report on compliance for the major federal award program for Town of Shelburne, Vermont expresses an unqualified opinion on the major federal program.
4. No reportable conditions relating to the audit of the major federal award program are reported in the *Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
6. The program tested as a major program for the year ended June 30, 2014 was Community Development Block Grants/State's Program (CFDA 14.228).
7. The threshold used for distinguishing between Type A and B programs was \$300,000.
8. Town of Shelburne, Vermont did not qualify as a low-risk auditee.