

**TOWN OF SHELBURNE, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2016**

TOWN OF SHELBURNE, VERMONT  
 AUDIT REPORT  
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Independent Auditor's Report

Selectboard  
Town of Shelburne  
5420 Shelburne Road  
P.O. Box 88  
Shelburne, Vermont 05482

***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 the Town of Shelburne, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Shelburne, Vermont's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting 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 Town'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 Town'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 previously 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 12, and the budgetary comparison Schedule of the General Fund, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions for the Town's participation in VMERS, presented in Schedules 1 through 3, respectively, 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.

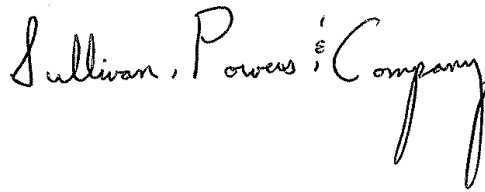
### ***Other Information***

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 fund financial statements and budgetary comparison schedules of the Water and Sewer Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by “Government Auditing Standards”***

In accordance with “Government Auditing Standards”, we have also issued our report dated February 14, 2017 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Shelburne, Vermont’s internal control over financial reporting and compliance.

February 14, 2017  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and address information.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016

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, 2016. This report should be read in conjunction with the Town's financial statements.

**Financial Highlights**

- The Town's combined net position increased by \$596,815 as a result of this year's operations. Net position of our business-type activities increased by \$649,793 and net position of our governmental activities decreased by \$52,978.
- In the Town's business-type activities, revenues and capital contributions were \$2,889,086 while expenses were \$2,572,083. Net position at June 30, 2016 totaled \$10,552,743.
- The cost of all of the Town's programs was \$10,387,487 this year, with no new programs added.
- The General Fund reported a surplus on a budgetary basis this year of \$10,195 which was \$10,195 better than budgeted.
- The unassigned fund balance in the General Fund at June 30, 2016 was \$555,926. This amount is available for future year budgets.
- The Non-major Funds reported a surplus of \$46,037 this year which increased the cumulative surplus to \$1,527,859.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on Exhibit C. For governmental activities, these 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 remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

*Reporting the Town as a Whole*

The government-wide financial statements are 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 as a result of the year's activities?" The Statement of Net Position 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 and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets, liabilities and deferred inflows/outflows of resources – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is 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 other infrastructure assets, to assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities in Exhibits A & B divides the Town into two kinds of activities:

- **Governmental activities** – Most of the Town's basic services are reported here, including the police, public safety, highway and public works, health and welfare, recreation and parks, library and general administration. Property taxes, grants and miscellaneous fees 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 sewer and water activities are reported here.

*Reporting the Town's Most Significant Funds*

The fund financial statements in Exhibits C through H 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 Selectboard establishes many other legal 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. The Town's two kinds of funds – governmental and proprietary – 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 an accounting method called modified accrual accounting, 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. Exhibits C and E describe the relationship and differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits C and D.
- Proprietary funds – When the Town charges customers for the services it provides – whether to outside customers or to other units 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 Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Town of Shelburne's Water and Sewer Department operations are accounted for as Proprietary Funds.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

**The Town as a Whole** (Governmental and Business Type Activities)

The Town's combined net position increased by \$596,815 from 2015, increasing from a balance of \$21,331,351 to \$21,928,166. Our analysis in Table 1 focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1 includes a comparison of these two years.

Table 1

	Governmental Activities <u>FY 2016</u>	Governmental Activities <u>FY 2015</u>	Business-type Activities <u>FY 2016</u>	Business-type Activities <u>FY 2015</u>	Total <u>FY 2016</u>	Total <u>FY 2015</u>
Current and Other Assets	\$ 3,352,266	\$ 3,339,882	\$ 1,516,037	\$ 1,422,249	\$ 4,868,303	\$ 4,762,131
Capital Assets	<u>12,671,731</u>	<u>13,339,043</u>	<u>14,557,935</u>	<u>14,696,457</u>	<u>27,229,666</u>	<u>28,035,500</u>
Total Assets	<u>16,023,997</u>	<u>16,678,925</u>	<u>16,073,972</u>	<u>16,118,706</u>	<u>32,097,969</u>	<u>32,797,631</u>
Deferred Outflows of Resources	<u>298,930</u>	<u>85,393</u>	<u>42,573</u>	<u>12,396</u>	<u>341,503</u>	<u>97,789</u>
Current Liabilities	1,106,545	1,096,722	947,153	796,958	2,053,698	1,893,680
Long-term Liabilities	<u>3,768,929</u>	<u>3,995,620</u>	<u>4,616,649</u>	<u>5,409,916</u>	<u>8,385,578</u>	<u>9,405,536</u>
Total Liabilities	<u>4,875,474</u>	<u>5,092,342</u>	<u>5,563,802</u>	<u>6,206,874</u>	<u>10,439,276</u>	<u>11,299,216</u>
Deferred Inflows of Resources	<u>72,030</u>	<u>243,575</u>	<u>0</u>	<u>21,278</u>	<u>72,030</u>	<u>264,853</u>
Net Investment in Capital Assets	9,000,531	9,075,143	9,269,045	8,674,519	18,269,576	17,749,662
Restricted	912,612	953,619	0		912,612	953,619
Unrestricted	<u>1,462,280</u>	<u>1,399,639</u>	<u>1,283,698</u>	<u>1,228,431</u>	<u>2,745,978</u>	<u>2,628,070</u>
Total Net Position	<u>\$ 11,375,423</u>	<u>\$ 11,428,401</u>	<u>\$ 10,552,743</u>	<u>\$ 9,902,950</u>	<u>21,928,166</u>	<u>21,331,351</u>

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,462,280 at June 30, 2016 for the governmental activities.

The unrestricted net position of our business-type activities was \$1,283,698 at June 30, 2016. The Town generally can only use this net position to finance the continuing operations of the sewer and water departments.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

Table 2

Change in Net Position

	Governmental Activities <u>FY 2016</u>	Governmental Activities <u>FY 2015</u>	Business-type Activities <u>FY 2016</u>	Business-type Activities <u>FY 2015</u>	Total <u>FY 2016</u>	Total <u>FY 2015</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,316,970	\$ 1,355,270	\$ 2,752,488	\$ 2,717,451	\$ 4,069,458	\$ 4,072,721
Operating Grants and Contributions	609,343	480,224	0	0	609,343	480,224
Capital Grants and Contributions	29,361	91,362	136,598	39,813	165,959	131,175
General Revenues:						
Property Taxes	5,470,605	5,297,765	0	0	5,470,605	5,297,765
Penalties and Interest on Delinquent Taxes	88,425	81,934	0	0	88,425	81,934
General State Grants	166,987	165,995	0	0	166,987	165,995
Unrestricted Investment Earnings	11,723	(16,619)	6,945	4,659	18,668	(11,960)
Gain on Sale of Equipment	31,046	0	0	0	31,046	0
Other Revenues	42,966	35,700	320,845	73,731	363,811	109,431
Transfers	(5,000)	0	5,000	0	0	0
<b>Total Revenues</b>	<u>7,762,426</u>	<u>7,491,631</u>	<u>3,221,876</u>	<u>2,835,654</u>	<u>10,984,302</u>	<u>10,327,285</u>
Expenses:						
General Government	2,253,398	1,738,013	0	0	2,253,398	1,738,013
Public Safety	2,948,531	2,750,586	0	0	2,948,531	2,750,586
Highways and Public Works	1,543,883	1,679,763	0	0	1,543,883	1,679,763
Community Development	0	530,000	0	0	0	530,000
Health and Welfare	38,000	38,025	0	0	38,000	38,025
Recreation and Parks	474,423	431,114	0	0	474,423	431,114
Library	385,732	376,440	0	0	385,732	376,440
Interest on Long-term Debt	171,437	177,166	0	0	171,437	177,166
Water	0	0	1,061,470	1,028,594	1,061,470	1,028,594
Sewer	0	0	1,510,613	1,568,069	1,510,613	1,568,069
<b>Total Expenses</b>	<u>7,815,404</u>	<u>7,721,107</u>	<u>2,572,083</u>	<u>2,596,663</u>	<u>10,387,487</u>	<u>10,317,770</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ (52,978)</u>	<u>\$ (229,476)</u>	<u>\$ 649,793</u>	<u>\$ 238,991</u>	<u>\$ 596,815</u>	<u>\$ 9,515</u>

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

Table 3 presents the cost of each of the Town's programs – General Government, Public Safety, Highways and Public Works, Health and Welfare, Recreation & Parks and Library and interest on long-term debt – 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 functions.

Table 3  
Governmental Activities

		FY 2016	FY 2015	FY 2016	FY 2015
		Total Cost	Total Cost	Net Cost	Net Cost
		of Services	of Services	of Services	of Services
General Government	\$	2,253,398	\$ 1,738,013	\$ 1,726,851	\$ 981,985
Public Safety		2,948,531	2,750,586	2,049,649	2,230,315
Highways and Public Works		1,543,883	1,679,763	1,329,263	1,382,834
Community Development		0	530,000	0	530,000
Health and Welfare		38,000	38,025	38,000	38,025
Recreation and Parks		474,423	431,114	184,763	99,839
Library		385,732	376,440	359,767	354,087
Interest on Long-Term Debt		171,437	177,166	171,437	177,166
Totals	\$	<u>7,815,404</u>	<u>\$ 7,721,107</u>	<u>\$ 5,859,730</u>	<u>\$ 5,794,251</u>

**The Town's Funds**

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$2,522,474 which represents an increase of \$33,970 from last year's total of \$2,488,504. Included in this year's total change in fund balance is a decrease of \$12,067 in the Town's General Fund balance, and an increase of \$46,037 in the other non-major governmental funds.

Schedule 1 compares actual to budget results for the General Fund, which includes the budget approved by voters. The summary of budget vs actual amounts follows:

	Budget	Actual	Variance
Revenues	\$ 7,088,150	\$ 7,288,989	\$ 200,839
Transfers In	397,379	404,857	7,478
Total Revenues + Transfers In	7,485,529	7,693,846	208,317
Expenditures	7,327,429	7,524,786	(197,357)
Transfers out	158,100	158,865	(765)
Total Expenditures + Transfers Out	7,485,529	7,683,651	(198,122)
Difference	-	10,195	10,195

The actual results show Revenues & Transfers In exceeded Expenditures & Transfers Out by \$10,195, which was a positive variance of \$10,195.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

**Significant Budget vs Actual Variances**

<b>General Fund Revenues</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Favorable</u> <u>(Unfavorable)</u></b>
Property Taxes & Late Fees	\$ 5,566,532	\$ 5,594,874	\$ 28,342
Highway Revenue	277,300	170,009	(107,291)
Police Department	412,540	619,468	206,928
Recreation Dept.	153,055	183,184	30,129
Fire & Rescue Grants/Misc.	5,000	18,288	13,288
All Other	<u>673,723</u>	<u>703,166</u>	<u>29,443</u>
<b>Total</b>	<b>\$ 7,088,150</b>	<b>\$ 7,288,989</b>	<b>\$ 200,839</b>
<b>General Fund Expenditures</b>			
Legal Services	30,000	322,935	(292,935)
Town Manager Office	169,916	148,233	21,683
Property/Liability Insurance	226,940	255,355	(28,415)
Microfilming and Preservation/ Records Automation	60,000	35,522	24,478
Planning/Zoning Projects	30,000	16,507	13,493
Buildings/Grnds. Expenditures	311,587	296,553	15,034
Police Department	1,504,501	1,631,451	(126,950)
Public Safety Dispatch	588,988	602,677	(13,689)
Highway Dept.	1,198,369	945,981	252,388
Shelburne Rescue	234,971	277,701	(42,730)
Recreation Dept.	316,932	336,436	(19,504)
All Other	<u>2,655,225</u>	<u>2,655,435</u>	<u>(210)</u>
<b>Total</b>	<b>\$ 7,327,429</b>	<b>\$ 7,524,786</b>	<b>\$ (197,357)</b>
 Revenues - Expenditures	 \$ (239,279)	 \$ (235,797)	 \$ 3,482
 Net Transfers From (To)Funds	 239,279	 245,992	 6,713
 <b>Year End Surplus (Deficit)</b>	 <b>\$ -</b>	 <b>\$ 10,195</b>	 <b>\$ 10,195</b>

**General Fund Revenue Variances:**

Property Tax late fees/charges exceeded budget due to charges for late payments and late Homestead declarations. Highway Dept. revenue was less than budget due to the delay of a grant funded sidewalk construction project. Police Revenues exceeded budget from grants to operate enforcement details. This variance was offset by corresponding Police Dept. expenditures for the details. Recreation Dept. revenues exceeded budget as a result of program activity. The Fire and Rescue Depts. received several grants, which were offset by corresponding expenditures.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

**General Fund Expenditure Variances:**

Legal Expenditures exceeded budget as a result of litigation associated with construction of a salt storage facility in Shelburne and two zoning appeal cases. Town Manager office expenses were less than budget due to a full time position staffed by an intern. Property/Liability insurance expense was greater than budget due to increased premiums at renewal. Records automation expense was less than budget based on the work completed. Planning/Zoning project expense reflects actual grant projects that took place. Building/grounds expense was less than budget due to lower utility costs from the warm winter and postponement of capital projects to offset the higher Legal Expenses. Police Dept. expenditures were greater than budget due to the grant-funded enforcement details mentioned above. Dispatch salaries were greater than budget due to overtime required to fill shifts when the department was not fully staffed. Highway Dept. Expense was less than budget due to delay of a grant funded sidewalk project, lower winter maintenance costs from the warm winter and postponement of highway projects to offset the increased legal expense. Shelburne Rescue expenses exceeded budget due to utilization of per diem employees to cover shifts as crew chiefs. Revenue from billings and subscriptions offset these variances. Recreation Dept. expenses were greater than budget due to participation in program offerings and were offset by corresponding increased revenues.

**Water and Sewer Fund Budget Variations**

The Water and Sewer budget vs actual results, prepared for rate setting purposes for the year ended June 30, 2016 are shown in Schedules 12 & 13.

<b>WATER FUND (see Schedule 12)</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b>Favorable <u>(Unfavorable)</u></b>
Revenues	\$ 974,763	\$ 1,024,005	\$ 49,242
Expenses	<u>974,763</u>	<u>1,045,192</u>	<u>(70,429)</u>
Net Income (Loss)	\$ -	\$ (21,187)	\$ (21,187)

<b>SEWER FUND (see Schedule 13)</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b>Favorable <u>(Unfavorable)</u></b>
Revenues	\$ 1,851,496	\$ 1,849,017	\$ (2,479)
Expenses	<u>1,851,496</u>	<u>1,785,679</u>	<u>65,817</u>
Net Income (Loss)	\$ -	\$ 63,338	\$ 63,338

**Water Fund**

On a budgetary basis, the Water Fund operating budget ended the year with a loss of \$21,187, which was worse than budget by \$21,187. Revenues exceeded budget by \$49,242. Revenues from metered and bulk water sales, connection fees, and reimbursements for line repairs all exceeded budget. Expenses were greater than budget by \$70,429. Extremely cold weather in the winter resulted in a number of frozen waterlines and waterline breaks. Payments for these repairs exceeded budget by \$83,617. Purchased water cost was less than budget by \$13,014. A budgeted transfer of \$41,500 to the capital improvement fund did not take place in order to minimize the operating fund deficit, which occurred for the second year in a row.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

**Sewer Fund**

On a budgetary basis, the Sewer Fund operating budget ended the year with a surplus of \$63,338, which was better than budget by \$63,338. Revenues were less than budget by \$2,479 and expenses were less than budget by \$65,817. Health and dental expenses were less than budget by \$23,581 due to lower premiums and reimbursements. Collection system capital improvements exceeded budget by \$23,505 due to a pump station upgrade project.

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2016, the Town had \$27,229,666 invested in a broad range of capital assets, including police, ambulance and fire equipment, buildings and water and sewer lines, net of accumulated depreciation. (See Table 4 below). This amount represents a net decrease (including additions, disposals and depreciation) of \$805,834 from last year.

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

	Governmental Activities		Business-type Activities		Totals	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Land	\$ 1,280,571	\$ 1,280,571	\$ 11,000	\$ 11,000	\$ 1,291,571	\$ 1,291,571
Construction in Progress	110,763	167,475	90,837	13,856	201,600	181,331
Buildings and Improvements	3,602,380	3,747,878	537,232	572,372	4,139,612	4,320,250
Vehicles and Equipment	2,012,074	2,337,180	316,549	177,265	2,328,623	2,514,445
Infrastructure	5,411,700	5,551,935	0	0	5,411,700	5,551,935
Water and Sewer Systems	0	0	13,602,317	13,921,964	13,602,317	13,921,964
Library	254,243	254,004	0	0	254,243	254,004
	<u>\$ 12,671,731</u>	<u>\$ 13,339,043</u>	<u>\$ 14,557,935</u>	<u>\$ 14,696,457</u>	<u>\$ 27,229,666</u>	<u>\$ 28,035,500</u>

*Debt Administration*

At June 30, 2016, the Town had \$8,960,090 in bonds and notes payable outstanding versus \$10,285,838 on June 30, 2015 – a decrease of \$1,325,748 – as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Bonds and Notes Payable	<u>\$ 3,671,200</u>	<u>\$ 4,263,900</u>	<u>\$ 5,288,890</u>	<u>\$ 6,021,938</u>	<u>\$ 8,960,090</u>	<u>\$ 10,285,838</u>

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)

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

The Town's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees. One of those factors was the economy and unemployment in the region. Shelburne's unemployment rate was 2.2% in June 2016, compared to 2.4% in June 2015. These rates remained below the state unemployment rate, which was 3.4% in June 2016 and 3.67% in June 2015. When adopting the budget for the 2016-2017 year, the Selectboard took into account operational and capital needs of the Town, and the impact of spending on the municipal tax rate. Shelburne's municipal property tax rate is competitive with other Chittenden County towns that provide similar services. Shelburne Property values continue to be stable and the Town's common level of appraisal in 2016 was 96.1%. A large affordable housing project was completed in 2015, contributing to the overall tax base and water/sewer system usage. A commercial park, occupied by a number of small to medium size businesses continues to add new buildings and tenants. The number of building permits issued each year has remained steady, with 139 permits issued in 2016. The Town grand list contains a mix of residential commercial and industrial properties. The total assessed value of all taxable properties in Shelburne was \$1.50 billion in July 2016, which was an increase of 0.2% from 2015. Of the total grand list, 77% of the total value is from residential properties, 17% is from Commercial, Industrial and utility properties and 6% 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.

As for the Town's business-type activities, the Selectboard approved a rate increase of 1.6% in the sewer user fee effective July 1, 2016. This increase was mainly due to increased operating expenses experienced with aging equipment. A \$3.0 million bond issue was passed in November 2015 to fund necessary equipment replacements. Collection system improvements funded by the bond will take place in 2017.

The water user fee increased by 5% effective July 1, 2016. Sales volumes, which previously had been decreasing, have stabilized within the last year. 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.

**Stormwater:** The Munroe Brook flows through Shelburne and has been identified as an impaired waterway. The Town operates under a Municipal Separate Storm Sewer System ("MS4") Permit, which requires that a flow restoration plan be developed and implemented to eliminate sources of pollution flowing into Lake Champlain. Currently, the estimated cost of the necessary measures for the Munroe Brook watershed is \$7,000,000, which will be shared by communities and other entities in the watershed area. Planning for and funding the necessary mitigation measures will be a significant challenge in the coming years.

**Requests for Information**

This report is designed to provide an overview of the Town of Shelburne's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Shelburne, 5420 Shelburne Road, P.O. Box 88, Shelburne, VT 05482.

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,862,458	\$ 220,786	\$ 2,083,244
Investments	770,844	806,912	1,577,756
Receivables (Net of Allowance for Uncollectibles)	518,678	678,331	1,197,009
Internal Balances	192,492	(192,492)	0
Prepaid Expenses	7,794	0	7,794
Inventory	0	2,500	2,500
Capital Assets:			
Land	1,280,571	11,000	1,291,571
Construction in Progress	110,763	90,837	201,600
Other Capital Assets, (Net of Accumulated Depreciation)	11,280,397	14,456,098	25,736,495
Total Assets	<u>16,023,997</u>	<u>16,073,972</u>	<u>32,097,969</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>298,930</u>	<u>42,573</u>	<u>341,503</u>
Total Deferred Outflows of Resources	<u>298,930</u>	<u>42,573</u>	<u>341,503</u>
<u>LIABILITIES</u>			
Accounts Payable	352,505	112,142	464,647
Accrued Payroll and Benefits Payable	55,781	7,782	63,563
Accrued Interest Payable	25,008	13,426	38,434
Unearned Revenue	42,051	21,180	63,231
Noncurrent Liabilities:			
Due Within One Year	631,200	792,626	1,423,826
Due in More than One Year	3,768,929	4,616,646	8,385,575
Total Liabilities	<u>4,875,474</u>	<u>5,563,802</u>	<u>10,439,276</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	<u>72,030</u>	<u>0</u>	<u>72,030</u>
Total Deferred Inflows of Resources	<u>72,030</u>	<u>0</u>	<u>72,030</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	9,000,531	9,269,045	18,269,576
Restricted:			
Recreation	169,170	0	169,170
Cemetery	225,090	0	225,090
Highway Equipment	268,969	0	268,969
Records Preservation	114,511	0	114,511
Library	67,033	0	67,033
Other	67,839	0	67,839
Unrestricted	<u>1,462,280</u>	<u>1,283,698</u>	<u>2,745,978</u>
Total Net Position	<u>\$ 11,375,423</u>	<u>\$ 10,552,743</u>	<u>\$ 21,928,166</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 2,253,398	\$ 492,398	\$ 34,149	\$ 0	\$ (1,726,851)	\$ 0	\$ (1,726,851)
Public Safety	2,948,531	511,381	387,501	0	(2,049,649)	0	(2,049,649)
Highways and Public Works	1,543,883	40,352	144,907	29,361	(1,329,263)	0	(1,329,263)
Health and Welfare	38,000	0	0	0	(38,000)	0	(38,000)
Recreation and Parks	474,423	255,192	34,468	0	(184,763)	0	(184,763)
Library	385,732	17,647	8,318	0	(359,767)	0	(359,767)
Interest on Long-term Debt	171,437	0	0	0	(171,437)	0	(171,437)
<b>Total Governmental Activities</b>	<b>7,815,404</b>	<b>1,316,970</b>	<b>609,343</b>	<b>29,361</b>	<b>(5,859,730)</b>	<b>0</b>	<b>(5,859,730)</b>
Business-Type Activities:							
Water	1,061,470	962,649	0	0	0	(98,821)	(98,821)
Sewer	1,510,613	1,789,839	0	136,598	0	415,824	415,824
<b>Total Business-Type Activities</b>	<b>2,572,083</b>	<b>2,752,488</b>	<b>0</b>	<b>136,598</b>	<b>0</b>	<b>317,003</b>	<b>317,003</b>
<b>Total Primary Government</b>	<b>\$ 10,387,487</b>	<b>\$ 4,069,458</b>	<b>\$ 609,343</b>	<b>\$ 165,959</b>	<b>(5,859,730)</b>	<b>317,003</b>	<b>(5,542,727)</b>
General Revenues:							
Property Taxes					5,470,605	0	5,470,605
Penalties and Interest on Delinquent Taxes					88,425	0	88,425
General State Grants					166,987	0	166,987
Unrestricted Investment Earnings					11,723	6,945	18,668
Other Revenues					42,966	320,845	363,811
Gain on Sale of Equipment					31,046	0	31,046
Transfers					(5,000)	5,000	0
<b>Total General Revenues and Transfers</b>					<b>5,806,752</b>	<b>332,790</b>	<b>6,139,542</b>
<b>Change in Net Position</b>					<b>(52,978)</b>	<b>649,793</b>	<b>596,815</b>
<b>Net Position - July 1, 2015</b>					<b>11,428,401</b>	<b>9,902,950</b>	<b>21,331,351</b>
<b>Net Position - June 30, 2016</b>					<b>\$ 11,375,423</b>	<b>\$ 10,552,743</b>	<b>\$ 21,928,166</b>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHELBURNE, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 1,833,806	\$ 28,652	\$ 1,862,458
Investments	361,186	409,658	770,844
Receivables (Net of Allowance for Uncollectibles)	518,678	0	518,678
Loans Receivable (Net of Allowance for Uncollectibles)	0	0	0
Due from Other Funds	0	1,201,441	1,201,441
Prepaid Expenses	7,794	0	7,794
Total Assets	\$ 2,721,464	\$ 1,639,751	\$ 4,361,215
<u>LIABILITIES</u>			
Accounts Payable	\$ 346,916	\$ 5,589	\$ 352,505
Accrued Payroll and Benefits Payable	55,781	0	55,781
Due to Other Funds	902,646	106,303	1,008,949
Unearned Revenue	42,051	0	42,051
Total Liabilities	1,347,394	111,892	1,459,286
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	72,030	0	72,030
Unavailable Property Taxes, Penalties and Interest	169,359	0	169,359
Unavailable Receivables	138,066	0	138,066
Total Deferred Inflows of Resources	379,455	0	379,455
<u>FUND BALANCES</u>			
Nonspendable	7,794	0	7,794
Restricted	0	912,612	912,612
Committed	430,895	370,679	801,574
Assigned	0	244,568	244,568
Unassigned	555,926	0	555,926
Total Fund Balances	994,615	1,527,859	2,522,474
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,721,464	\$ 1,639,751	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.			12,671,731
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			307,425
Deferred Outflows of Resources Related to the Town's Participation in VMERS are applicable to Future Periods and, therefore, are not Reported in the Funds.			298,930
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.			(4,425,137)
Net Position of Governmental Activities			\$ 11,375,423

The accompanying notes are an integral part of this financial statement.

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 5,506,449	\$ 0	\$ 5,506,449
Penalties & Interest on Delinquent Taxes	88,425	0	88,425
Intergovernmental	598,594	27,988	626,582
Charges for Services	761,263	21,088	782,351
Permits, Licenses & Fees	244,190	48,459	292,649
Rental Income	267,007	0	267,007
Investment Income	763	10,960	11,723
Contributions	0	68,583	68,583
Other	70,716	7,305	78,021
	<u>7,537,407</u>	<u>184,383</u>	<u>7,721,790</u>
Expenditures:			
General Government	2,021,273	5,000	2,026,273
Public Safety	2,693,524	1,308	2,694,832
Cemetery	45,943	0	45,943
Highways and Public Works	1,219,100	126	1,219,226
Health and Welfare	38,000	0	38,000
Recreation and Parks	324,328	54,097	378,425
Library	317,976	12,063	330,039
Capital Outlay:			
Public Safety	10,661	72,846	83,507
Highways and Public Works	90,827	49,782	140,609
Recreation and Parks	38,111	10,399	48,510
Library	43,257	0	43,257
Debt Service:			
Principal	520,700	164,000	684,700
Interest	161,086	2,827	163,913
	<u>7,524,786</u>	<u>372,448</u>	<u>7,897,234</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>12,621</u>	<u>(188,065)</u>	<u>(175,444)</u>
Other Financing Sources/(Uses):			
Proceeds from Sale of Equipment	8,550	113,864	122,414
Proceeds from Long-Term Debt	0	92,000	92,000
Transfers In	125,627	153,865	279,492
Transfers Out	(158,865)	(125,627)	(284,492)
	<u>(24,688)</u>	<u>234,102</u>	<u>209,414</u>
Net Change in Fund Balances	(12,067)	46,037	33,970
Fund Balances - July 1, 2015	<u>1,006,682</u>	<u>1,481,822</u>	<u>2,488,504</u>
Fund Balances - June 30, 2016	<u>\$ 994,615</u>	<u>\$ 1,527,859</u>	<u>\$ 2,522,474</u>

The accompanying notes are an integral part of this financial statement.

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

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	33,970
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$315,882) is allocated over their estimated useful lives and reported as depreciation expense (\$891,827). This is the amount by which capital outlays exceeded depreciation in the current period.		(575,945)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, loss on disposals and donations) is to decrease net position		(91,367)
The issuance of long-term debt (\$92,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$684,700) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		592,700
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		14,590
Governmental Funds report pension contributions as expenditures (\$100,801). However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions (\$129,346) is reported as pension expense. This amount is due to the net effect of the differences in the treatment of pension expense.		(28,545)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>1,619</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>(52,978)</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	Water Fund	Sewer Fund	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash	\$ 148,143	\$ 72,643	\$ 220,786
Investments	608,244	198,668	806,912
Receivables (Net of Allowance for Uncollectibles)	244,012	434,319	678,331
Due from Other Funds	0	653,825	653,825
Inventory	2,500	0	2,500
Total Current Assets	1,002,899	1,359,455	2,362,354
Noncurrent Assets:			
Land	0	11,000	11,000
Construction in Progress	77,523	13,314	90,837
Buildings and Building Improvements	41,989	1,677,024	1,719,013
Vehicles, Machinery and Equipment	127,150	430,483	557,633
Distribution/Collection Systems	4,770,092	16,946,555	21,716,647
Less: Accumulated Depreciation	(1,919,899)	(7,617,296)	(9,537,195)
Total Noncurrent Assets	3,096,855	11,461,080	14,557,935
Deferred Outflows of Resources:			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	10,653	31,920	42,573
Total Deferred Outflows of Resources	10,653	31,920	42,573
Total Assets and Deferred Outflows of Resources	\$ 4,110,407	\$ 12,852,455	\$ 16,962,862
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payable	\$ 58,033	\$ 54,109	\$ 112,142
Accrued Payroll	2,981	4,801	7,782
Accrued Interest Payable	4,903	8,523	13,426
Unearned Revenue	9,318	11,862	21,180
Due to Other Funds	846,317	0	846,317
Bonds and Notes Payable - Current Portion	85,000	707,626	792,626
Total Current Liabilities	1,006,552	786,921	1,793,473
Noncurrent Liabilities:			
Compensated Absences Payable	35,335	16,933	52,268
Net Pension Liability	17,346	50,768	68,114
Bonds and Notes Payable - Noncurrent Portion	670,000	3,826,264	4,496,264
Total Noncurrent Liabilities	722,681	3,893,965	4,616,646
Total Liabilities	1,729,233	4,680,886	6,410,119
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	2,341,855	6,927,190	9,269,045
Unrestricted	39,319	1,244,379	1,283,698
Total Net Position	2,381,174	8,171,569	10,552,743
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 4,110,407	\$ 12,852,455	\$ 16,962,862

The accompanying notes are an integral part of this financial statement.

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Revenues:			
Charges for Services	\$ 953,305	\$ 1,768,192	\$ 2,721,497
Penalties & Interest	9,344	21,647	30,991
Miscellaneous	<u>29,393</u>	<u>4,168</u>	<u>33,561</u>
Total Operating Revenues	<u>992,042</u>	<u>1,794,007</u>	<u>2,786,049</u>
Operating Expenses:			
Salaries and Wages	194,208	301,671	495,879
Administrative Charges	44,217	63,447	107,664
Benefits	88,526	125,564	214,090
Insurances	12,602	34,637	47,239
Professional Services	9,044	24,721	33,765
Communications	3,325	6,442	9,767
Utilities	0	189,250	189,250
Sludge Removal	0	85,466	85,466
Water Supply & Engineering	363,735	0	363,735
Maintenance	192,717	150,008	342,725
Chemicals	0	33,981	33,981
Depreciation	107,178	423,115	530,293
Other Operating Expenses	<u>13,179</u>	<u>50,147</u>	<u>63,326</u>
Total Operating Expenses	<u>1,028,731</u>	<u>1,488,449</u>	<u>2,517,180</u>
Operating Income/(Loss)	<u>(36,689)</u>	<u>305,558</u>	<u>268,869</u>
Non-Operating Revenues/(Expenses):			
Water Tank Revenue	80,424	0	80,424
Debt Cancellation	0	206,860	206,860
Investment Income	4,725	2,220	6,945
Interest Expense	<u>(32,739)</u>	<u>(22,164)</u>	<u>(54,903)</u>
Total Non-Operating Revenues/(Expenses)	<u>52,410</u>	<u>186,916</u>	<u>239,326</u>
Income (Loss) Before Capital Contributions and Transfers	15,721	492,474	508,195
Transfers In	0	5,000	5,000
Capital Contributions - Connection Fees	<u>0</u>	<u>136,598</u>	<u>136,598</u>
Change in Net Position	15,721	634,072	649,793
Net Position - July 1, 2015	<u>2,365,453</u>	<u>7,537,497</u>	<u>9,902,950</u>
Net Position - June 30, 2016	<u>\$ 2,381,174</u>	<u>\$ 8,171,569</u>	<u>\$ 10,552,743</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 974,620	\$ 1,838,208	\$ 2,812,828
Other Receipts	29,393	4,168	33,561
Payments for Goods and Services	(580,108)	(578,837)	(1,158,945)
Payments for Interfund Services	(44,217)	(63,447)	(107,664)
Payments for Wages and Benefits	(287,434)	(404,992)	(692,426)
	<u>92,254</u>	<u>795,100</u>	<u>887,354</u>
Net Cash Provided by Operating Activities			
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	37,236	(184,051)	(146,815)
	<u>37,236</u>	<u>(184,051)</u>	<u>(146,815)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities			
Cash Flows From Capital and Related Financing Activities:			
Water Tank Revenue	80,424	0	80,424
Transfers from Other Funds	0	5,000	5,000
Proceeds of Long-Term Debt	0	157,000	157,000
Acquisition and Construction of Capital Assets	(93,954)	(297,817)	(391,771)
Capital Contributions-Connection Fees	0	136,598	136,598
Principal Paid on:			
General Obligation Bonds	(85,000)	(598,188)	(683,188)
Interest Paid on:			
General Obligation Bonds	(30,960)	(13,642)	(44,602)
	<u>(129,490)</u>	<u>(611,049)</u>	<u>(740,539)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Net Change in Certificates of Deposit	(144,259)	70,423	(73,836)
Receipt of Interest	4,725	2,220	6,945
	<u>(139,534)</u>	<u>72,643</u>	<u>(66,891)</u>
Net Cash Provided/(Used) by Investing Activities			
Net Increase(Decrease) in Cash	(139,534)	72,643	(66,891)
Cash - July 1, 2015	287,677	0	287,677
Cash - June 30, 2016	<u>\$ 148,143</u>	<u>\$ 72,643</u>	<u>\$ 220,786</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ (36,689)	\$ 305,558	\$ 268,869
Depreciation	107,178	423,115	530,293
(Increase)/Decrease in Receivables	11,605	48,368	59,973
Increase/(Decrease) in Accounts Payable	14,494	(4,185)	10,309
Increase/(Decrease) in Pension Liabilities	(7,681)	17,442	9,761
Increase/(Decrease) in Accrued Payroll	2,981	4,801	7,782
Increase/(Decrease) in Unearned Revenue	366	1	367
	<u>92,254</u>	<u>795,100</u>	<u>887,354</u>
Net Cash Provided by Operating Activities			

Non-Cash Capital and Related Financing Activities:

The Town was granted a reduction of debt in the Sewer Fund in the amount of \$206,860 due to an adjustment by the State of Vermont.

In the Water Fund, equipment was disposed with a cost and accumulated depreciation of \$26,235.

The accompanying notes are an integral part of this financial statement.

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The Town of Shelburne, Vermont, (herein the "Town") operates under a Manager/Selectboard form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, water, sewer, and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Town of Shelburne, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

### **A. The Financial Reporting Entity**

This report includes all of the funds of the Town of Shelburne, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

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The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

**Government-wide Statements:** The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) 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.

**Fund Financial Statements:** The fund financial 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 governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental fund:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

The Town reports on the following major enterprise funds:

Water Fund – This fund accounts for the operations of the Water Department.

Sewer Fund – This fund accounts for the operations of the Wastewater Department.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred inflows and outflows of resources and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

**D. Basis of Accounting**

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

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

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

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General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

#### **E. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

#### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity**

##### **1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other fund balances.

##### **2. Investments**

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

##### **3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

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**4. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

**5. Inventories and Prepaid Expenses**

Inventory quantities are determined by physical count and are valued at the lower of cost or market.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

**6. Pensions**

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows and inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees’ Retirement System (VMERS) pension plan and additions to or deductions from the VMERS’ fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town’s share of the net pension liability is recorded in the government-wide financial statements and proprietary fund financial statements.

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one (1) type of item which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources related to the Town’s participation in VMERS. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has there (3) types of items which arise under the modified accrual basis of accounting and one (1) type which arises under the accrual basis of accounting that qualify for reporting in this category. The governmental activities report deferred inflows of resources from one (1) source: prepaid property taxes. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows of resources are related. The governmental funds report deferred inflows of resources from three (3) sources: prepaid property taxes, unavailable property taxes, penalties and interest and unavailable receivables . These amounts are deferred and recognized as an inflow of resources in the future periods that the amounts become available or to which the inflows are related.

**8. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land	\$ 5,000	N/A
Land Improvements	\$ 5,000	10-20 Years
Buildings and Building Improvements	\$ 5,000	10-100 Years
Vehicles, Machinery and Equipment	\$ 5,000	5-20 Years
Library Collection	\$ 5,000	5-10 Years
Infrastructure	\$ 10,000	20-50 Years
Water and Sewer Distribution and Collection Systems	\$ 5,000	30-50 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

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**9. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and comp time benefits. The Town also pays accumulated sick time up to 480 hours at retirement if the employee was employed before 1984. The accrual for unused compensated absences, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

**10. Long-term Liabilities**

Long-term liabilities include bonds and notes payable, capital leases and other obligations such as compensated absences and the net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

**11. Fund Equity**

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances in governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

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Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

### **III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

The General Fund budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Ambulance Fund activity that is included with the General Fund.

#### **B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2016, expenditures in the General Fund exceeded appropriations by \$197,357. These over expenditures were funded by excess revenues.

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**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2016 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$ <u>2,083,244</u>
Investments:	
Certificates of Deposit	1,309,755
Common Stock	107,988
Mutual Funds	<u>160,013</u>
Total Investments	<u>1,577,756</u>
Total Cash and Investments	<u>\$3,661,000</u>

The Town has twelve (12) certificates of deposit at various banks with interest rates ranging from .1% to .99%. The certificates of deposit mature in the following fiscal years:

2017	\$1,278,394
2018	<u>31,361</u>
	<u>\$1,309,755</u>

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The Town's common stock and mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's deposits and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$1,024,393	\$1,024,393
Uninsured, Collateralized by U.S. Government Securities Held by the Bank, In the Bank's Name for the Benefit of the Town	1,719,629	1,982,618
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank's Name	<u>648,977</u>	<u>648,977</u>
Total	<u>\$3,392,999</u>	<u>\$3,655,988</u>

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The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$2,083,244
Investments – Certificates of Deposit	<u>1,309,755</u>
Total	<u>\$3,392,999</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposits and common stock are not subject to interest rate risk disclosure. The Town's mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit and common stock are not subject to credit risk disclosure. The Town's mutual funds are open-ended and, therefore, are also not subject to credit risk disclosure.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's common stock was donated and is invested in Exxon Mobil. The Town's certificates of deposit and common stock are exempt from concentration of credit risk analysis. The mutual funds are open-ended and, therefore, are also excluded from concentration and credit risk analysis.

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**B. Receivables**

Receivables as of June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes	\$ 143,204	\$ 0	\$ 143,204
Penalties and Interest	38,315	0	38,315
Billed Services	92,866	73,458	166,324
Unbilled Services	0	588,557	588,557
Grants	179,152	0	179,152
Miscellaneous	65,141	26,316	91,457
Allowance for Doubtful Accounts	0	(10,000)	(10,000)
	\$ 518,678	\$ 678,331	\$ 1,197,009

**C. Loans Receivable**

Loans receivable as of June 30, 2016 consists of a number of loans for community development as follows:

Loan Receivable, Shelburne Housing Limited Partnership, Payable on Demand on and after December 31, 2033, 0% Interest, Secured by a Second Mortgage	\$ 530,000
Loan Receivable, Harrington Village Limited Partnership, Payable on Demand on and After November 14, 2043, 0% Interest, Secured by Second Mortgage	668,750
Loan Receivable, Shelburne Housing Limited Partnership, Payable on Demand on and After November 15, 2043, 0% Interest, Secured by Second Mortgage	<u>581,250</u>
Total	1,780,000
Less: Allowance for Doubtful Loans Receivable	<u>(1,780,000)</u>
Reported Value at June 30, 2016	<u>\$ 0</u>

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**D. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,280,571	\$ 0	\$ 0	\$ 1,280,571
Construction in Progress	167,475	62,830	119,542	110,763
Total Capital Assets, Not Being Depreciated	<u>1,448,046</u>	<u>62,830</u>	<u>119,542</u>	<u>1,391,334</u>
Capital Assets, Being Depreciated:				
Buildings and Land Improvements	9,411,684	170,011	0	9,581,695
Vehicles and Equipment	5,114,094	141,460	454,169	4,801,385
Infrastructure	6,487,286	17,866	0	6,505,152
Library Collection	400,118	43,257	0	443,375
Totals	<u>21,413,182</u>	<u>372,594</u>	<u>454,169</u>	<u>21,331,607</u>
Less Accumulated Depreciation for:				
Buildings and Land Improvements	5,663,806	315,509	0	5,979,315
Vehicles and Equipment	2,776,914	375,199	362,802	2,789,311
Infrastructure	935,351	158,101	0	1,093,452
Library Collection	146,114	43,018	0	189,132
Totals	<u>9,522,185</u>	<u>891,827</u>	<u>362,802</u>	<u>10,051,210</u>
Total Capital Assets, Being Depreciated	<u>11,890,997</u>	<u>(519,233)</u>	<u>91,367</u>	<u>11,280,397</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,339,043</u>	<u>\$ (456,403)</u>	<u>\$ 210,909</u>	<u>\$ 12,671,731</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,000	\$ 0	\$ 0	\$ 11,000
Construction in Progress	13,856	76,981	0	90,837
Total Capital Assets, Not Being Depreciated	<u>24,856</u>	<u>76,981</u>	<u>0</u>	<u>101,837</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,719,013	0	0	1,719,013
Vehicles, Machinery and Equipment	410,248	173,620	26,235	557,633
Distribution and Collection Systems	21,575,477	141,170	0	21,716,647
Totals	<u>23,704,738</u>	<u>314,790</u>	<u>26,235</u>	<u>23,993,293</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	1,146,641	35,140	0	1,181,781
Vehicles, Machinery and Equipment	232,983	34,336	26,235	241,084
Distribution and Collection Systems	7,653,513	460,817	0	8,114,330
Totals	<u>9,033,137</u>	<u>530,293</u>	<u>26,235</u>	<u>9,537,195</u>
Total Capital Assets, Being Depreciated	<u>14,671,601</u>	<u>(215,503)</u>	<u>0</u>	<u>14,456,098</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,696,457</u>	<u>\$ (138,522)</u>	<u>\$ 0</u>	<u>\$ 14,557,935</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 207,723	Water	\$ 107,178
Public Safety	253,699	Sewer	<u>423,115</u>
Highways and Public Works	278,714		
Recreation and Parks	95,998		
Library	<u>55,693</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 891,827</u>	Total Depreciation Expense - Business-Type Activities	<u>\$ 530,293</u>

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2016 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 902,646
Non-Major Governmental Funds	1,201,441	106,303
Water Fund	0	846,317
Sewer Fund	<u>653,825</u>	<u>0</u>
Total	<u>\$ 1,855,266</u>	<u>\$ 1,855,266</u>

Interfund transfers during the year ended June 30, 2016 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Dog Park Fund	\$ 765	Annual Appropriation
General Fund	Bay Park Fund	8,500	Annual Appropriation
General Fund	Police Fund	35,000	Annual Appropriation
General Fund	Highway Equipment Fund	81,000	Annual Appropriation
General Fund	Other (Cemetery Tractor) Fund	1,600	Annual Appropriation
General Fund	Other (Community Fund)	2,000	Annual Appropriation
General Fund	Open Land Trust Fund	25,000	Annual Appropriation
General Fund	Sewer Fund	5,000	Fund Stormwater Expenses
Non-Major Funds:			
Records Preservation Fund	General Fund	34,949	Reimbursement Expenditures in General Fund
Cemetery Fund	General Fund	9,000	Annual Appropriation
Recreation (Baseball) Fund	General Fund	6,118	Reimburse Expenditures in General Fund
Recreation-Other	General Fund	560	Reimburse Expenditures in General Fund
Recreation Impact Fees	General Fund	<u>75,000</u>	Reimburse Expenditures in General Fund
Total		<u>\$ 284,492</u>	

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**F. Deferred Outflows of Resources**

Deferred outflows of resources in the Governmental Activities consists of \$14,822 from the difference between the expected and actual experience, \$93,379 from changes in assumptions, \$90,587 from the difference between the projected and actual investment earnings, \$3,491 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$96,651 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$298,930.

Deferred outflows of resources in the Business-type Activities consists of \$2,153 from the difference between the expected and actual experience, \$13,564 from changes in assumptions, \$13,160 from the difference between the projected and actual investment earnings, \$507 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$13,189 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Business-type Activities is \$42,573.

Deferred outflows of resources in the Water Fund consists of \$548 from the difference between the expected and actual experience, \$3,454 from changes in assumptions, \$3,352 from the difference between the projected and actual investment earnings, \$129 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$3,170 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Water Fund is \$10,653.

Deferred outflows of resources in the Sewer Fund consists of \$1,605 from the difference between the expected and actual experience, \$10,110 from changes in assumptions, \$9,808 from the difference between the projected and actual investment earnings, \$378 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$10,019 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Sewer Fund is \$31,920.

**G. Unearned Revenue**

Unearned revenue in the General Fund consists of \$7,577 rent received in advance and \$34,474 recreation revenues received in advance. Unearned revenue in the Water Fund consists of \$9,318 in customer fees received in advance. Unearned revenue in the Sewer Fund consists of \$11,862 in customer fees received in advance. This revenue will be earned in 2017 as fees are billed.

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**H. Deferred Inflows of Resources**

Deferred inflows of resources in the Governmental Activities consists of \$72,030 of prepaid property taxes.

Deferred inflows of resources in the General Fund consists of \$169,359 of delinquent property taxes, penalties and interest on those taxes and \$138,066 of receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$72,030 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$379,455.

**I. Long-term Liabilities**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The Town has other notes payable to finance various capital purchases through local banks and the Vermont Municipal Equipment Loan Fund.

The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water and sewer projects.

It is the policy of the Town to permit employees to accumulate vacation and comp-time, the value of which will be paid at their current rate of pay upon retirement, termination or death as discussed in Note I.F.9. The accrual for compensated absences, based on current rates, is recorded in the government-wide and proprietary fund financial statements.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retiree, and beneficiaries. The accrual for the Town's share of the net pension liability associated with VMERS is recorded in the government-wide and proprietary fund financial statements.

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Long-term liabilities outstanding as of June 30, 2016 were as follows:

<u>Governmental Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Town Center bond 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	\$ 1,410,000	\$ 235,000
Capital improvement (bike/pedestrian path, Spear Street) bond payable to Vermont Municipal Bond Bank, annual principal payments of \$20,000, plus semi-annual interest payments at 1.9% and 4.41%, matures November 15, 2023	160,000	20,000
Recreation facilities and sand/salt shed bond 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.	750,000	75,000
Capital Improvement (Fire truck, Beach seawall, Webster Road Path) bond payable, Vermont Municipal Bond Bank, annual principal payments of \$15,000 to \$85,000, plus semi-annual interest payments at 1.033% to 3.426%, matures November 15, 2030.	560,000	80,000
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.	450,000	30,000
Capital equipment (truck) note payable to the Vermont Municipal Equipment Loan Fund, annual principal payments of \$22,000, plus annual interest payments at 2.0%, matures December 31, 2016.	22,000	22,000
Capital Improvement (bike/pedestrian path/ sidewalk, Webster Road, Harbor Road) bond payable, Vermont Municipal Bond Bank, annual principal payments of \$25,000 to \$30,000, plus semi-annual interest payments at 1.098% to 3.0%, matures November 15, 2022.	175,000	25,000
Capital equipment (PSIC grant public safety equipment) note payable to the National Bank of Middlebury, annual principal payment of \$16,200, plus annual interest payment at .95%, matures June 22, 2017.	16,200	16,200
Capital equipment (Truck) note payable to the National Bank of Middlebury, Annual principal payment of \$80,000, plus annual interest payment at 1.17%, matures January 25, 2017.	80,000	80,000

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<u>Governmental Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payment of \$12,000, plus annual interest payment at 1.0%, matures May 25, 2017.	\$ 12,000	\$ 12,000
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payment of \$36,000, plus annual interest payment at .95%, matures August 24, 2016.	<u>36,000</u>	<u>36,000</u>
Total long-term bonds and notes payable	<u>\$ 3,671,200</u>	<u>\$ 631,200</u>
 <u>Business-Type Activities</u>		
Sewer Fund		
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available \$7,495,636, non-interest bearing, annual principal payments of \$355,266.	\$ 2,486,860	\$ 355,266
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total loan \$103,909, 2% administration fee, annual principal and administrative fee payments of \$6,355.	76,932	4,816
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available, \$1,620,247, non-interest bearing, annual principal payments of \$85,979.	773,807	85,979
Shelburne Heights sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total loan \$1,011,823 non-interest bearing, annual principal payments of \$50,648.	354,533	50,648
Sewer bond payable to State of Vermont Special Environmental Revolving Fund, total loan \$698,450, 2% administration fee, annual principal and administrative fee payments of \$42,715, matures April 1, 2027	418,045	34,354
Bond payable, State of Vermont Special Environmental Revolving Fund, administrative fee of 2%, maturing September 2031, annual principal and administrative fee payments of \$9,371.	127,240	6,826

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<u>Business-Type Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund total loan \$199,511, 2% administration fee, annual principal and administrative payments of \$15,527, matures July 1, 2025.	\$ 139,473	\$ 12,737
Capital equipment (trucks) note payable to the National Bank of Middlebury, interest at 0.95%, annual principal payment of \$12,000, matures May 25, 2017.	12,000	12,000
Capital equipment (truck) note payable to the National Bank of Middlebury, Interest at 1.0%, annual principal payment of \$145,000, matures December 26, 2016.	<u>145,000</u>	<u>145,000</u>
Total Sewer Fund long-term bond and notes payable	<u>4,533,890</u>	<u>707,626</u>
Water Fund		
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$50,000 to \$55,000, plus semi-annual interest payments at 3.57% to 4.69%, matures December 1, 2023.	435,000	55,000
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of between \$4,000 to \$10,000 plus semi-annual interest payments at 3.0% to 4.38%, matures November 15, 2020.	25,000	5,000
Water bond payable, to the Vermont Municipal Bond Bank, annual principal payments of between \$20,000 and \$25,000 plus semi-annual interest payments at 0.44% to 4.33%, matures November 15, 2028.	<u>295,000</u>	<u>25,000</u>
Total Water Fund long-term bond and notes payable	<u>755,000</u>	<u>85,000</u>
Total Business-type Activities	<u>\$ 5,288,890</u>	<u>\$ 792,626</u>

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Maturities of bonds and notes payable are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 631,200	\$ 70,873	\$ 702,073	\$ 792,626	\$ 44,716	\$ 837,342
2018	460,000	44,173	504,173	636,801	37,821	674,622
2019	460,000	39,350	499,350	637,999	34,842	672,841
2020	460,000	18,335	478,335	639,221	30,404	669,625
2021	460,000	39,743	499,743	640,468	25,783	666,251
2022-2026	970,000	107,832	1,077,832	1,763,209	61,955	1,825,164
2027-2031	230,000	25,132	255,132	169,379	7,658	177,037
2032-2036	0	0	0	9,187	184	9,371
<b>Total</b>	<b>\$ 3,671,200</b>	<b>\$ 345,438</b>	<b>\$ 4,016,638</b>	<b>\$ 5,288,890</b>	<b>\$ 243,363</b>	<b>\$ 5,532,253</b>

Changes in long-term liabilities for the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable	\$ 4,263,900	\$ 92,000	\$ 684,700	\$ 3,671,200	\$ 631,200
Compensated Absences	269,178	0	9,143	260,035	0
Net Pension Liability	55,542	413,352	0	468,894	0
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 4,588,620</b>	<b>\$ 505,352</b>	<b>\$ 693,843</b>	<b>\$ 4,400,129</b>	<b>\$ 631,200</b>
<b>Business-Type Activities</b>					
Bonds and Notes Payable	\$ 6,021,938	\$ 157,000	\$ 890,048	\$ 5,288,890	\$ 792,626
Compensated Absences	52,268	0	0	52,268	0
Net Pension Liability	6,898	61,216	0	68,114	0
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$ 6,081,104</b>	<b>\$ 218,216</b>	<b>\$ 890,048</b>	<b>\$ 5,409,272</b>	<b>\$ 792,626</b>

In 2016, the State of Vermont, determined that the principal balance of one the Town's sewer notes payable was overstated by \$206,860. This is reflected in reductions above and non-operating revenues in the Sewer Fund.

At a special meeting held November 3, 2015, Shelburne voters approved a bond issue of up to three million dollars (\$3,000,000) for the purpose of making capital improvements to the Town sewer collection system and facilities. Bond payments will be funded through sewer user fees. It is anticipated funds will be spent on this project starting in fiscal year 2017. No bonds have been issued yet.

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**J. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balance in the following fund is nonspendable as follows:

Major Funds

General Fund:

Prepaid Expenses	\$ <u>7,794</u>
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The fund balances in the following funds are restricted as follows:

Non-Major Funds

Special Revenue Funds:

Restricted for Recreation by Grant Agreements (Source of Revenue is Grant Revenue)	\$ 69,656
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Fees)	114,511
Other Restrictions by Donations (Source of Revenue is Donations)	<u>37,625</u>
Total Special Revenue Funds	<u>221,792</u>

Capital Project Funds:

Restricted for Pine Haven Stormwater by Grant Agreements	3,375
Restricted for Library Building by Fee Agreement	38,381
Restricted for Highway Equipment Replacement Expenditures by Statute	268,969
Restricted for Police by Grant Agreements	<u>26,839</u>
Total Capital Project Funds	<u>337,564</u>

Permanent Funds:

Restricted for Library Endowment by Trust Agreements	28,652
Restricted for Cemetery Fund by Trust Agreements	225,090
Restricted for Lillian Davis Memorial Fund	<u>99,514</u>

Total Permanent Funds 353,256

Total Non-Major Funds 912,612

Total Restricted Fund Balances \$912,612

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The fund balances in the funds are committed as follows:

Major Fund

General Fund:

Committed for Ambulance and Rescue Operations by Voters	\$ <u>430,895</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Open Land Trust by Voters (Source of Revenue is Transfers)	261,155
Committed for Cemetery Tractor by Voters (Source of Revenue is Transfers)	<u>10,876</u>

Total Special Revenue Funds	<u>272,031</u>
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Capital Projects Funds:

Committed for Bay Park by Voters	44,022
Committed for Police Equipment by Voters	<u>54,626</u>

Total Capital Project Funds	<u>98,648</u>
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Total Non-Major Funds	<u>370,679</u>
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Total Committed Fund Balances	\$ <u>801,574</u>
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The fund balances in the following funds are assigned as follows:

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses (Source of Revenue is Fees)	\$ <u>155,830</u>
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Capital Projects Funds:

Assigned for Highway Salt Shed Expenditures	23,128
Assigned for Fire Truck	<u>65,610</u>

Total Capital Project Fund	<u>88,738</u>
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Total Assigned Fund Balances	\$ <u>244,568</u>
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TOWN OF SHELBURNE, VERMONT  
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**K. Restricted and Designated Net Position**

The restricted net position of the Town as of June 30, 2016 consisted of the following:

Governmental Activities:

Restricted for Recreation by Grant Agreements	\$ 69,656
Restricted for Records Preservation Expenses by Statute	114,511
Restricted for Other Purposes by Donations	37,625
Restricted for Pine Haven Stormwater by Grant Agreements	3,375
Restricted for Library Building by Fee Agreement	38,381
Restricted for Highway Equipment Replacement Expenditures by Statute	268,969
Restricted for Police by Grant Agreements	26,839
Restricted for Cemetery by Trust Agreements	225,090
Restricted for Library by Trust Agreements	28,652
Restricted for Recreation Projects (Lillian Davis Memorial) by Donations	<u>99,514</u>
 Total Governmental Activities	 <u>\$912,612</u>

The designated net position of the Town's Proprietary Funds as of June 30, 2016 consisted of the following:

Water Fund:

Designated for Water Capital Projects	\$ <u>39,319</u>
 Total Water Fund	 <u>39,319</u>

Sewer Fund:

Designated for Sewer Capital Projects	187,199
Designated for Future Sewer Capital Projects	<u>185,838</u>
 Total Sewer Fund	 <u>373,037</u>

Total Business-type Activities \$412,356

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**V. OTHER INFORMATION**

**A. BENEFIT PLANS**

**1. VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM – DEFINED BENEFIT PLAN**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis, and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives – one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of credible services.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net pension liability of \$77,095,810. As of June 30, 2016, the Town's proportionate share of this was .69654% resulting in a liability of \$537,005. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2015, the Town's proportion of .69654% was an increase of .01234% from its proportion measured as of June 30, 2014.

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For the year ended June 30, 2016, the Town recognized pension expense of \$148,136.

As of June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources.

		Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$	16,975
Changes in proportional share of contributions		3,998
Difference between projected and actual earnings on pension plan investments		103,747
Changes in Assumptions		106,943
Town's required employer contributions made subsequent to the measurement date		109,840
	\$	341,503

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$109,840 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows.

		Year Ending June 30
2017	\$	45,691
2018		45,691
2019		45,691
2020		94,590
Total	\$	231,663

**Summary of System Provisions**

**Membership:** Full time employees of participating municipalities. The Town elected coverage under Group B and Group C provisions.

**Creditable Service:** Service as a member plus purchased service.

**Average Final Compensation (AFC):** Groups B and C – Average annual compensation during the highest three (3) consecutive years.

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Service Retirement Allowance:

Eligibility: Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Group C – Age 55 with five (5) years of service.

Amount: Group B – 1.75% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Group C. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility: Age 55 with five (5) years of service for Group B.

Amount: Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

Amount: Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility: Death after five (5) years of service.

Amount: For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement: For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions are refunded.

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Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in the Consumer Price Index but not more than 3% for Groups B and C.

Member Contributions: Group B – 4.875% effective July 1, 2015 (increased from 4.75%). Group C – 9.875% effective July 1, 2015 and 10.00% effective January 1, 2016 (increased from 9.625%).

Employer Contributions: Group B – 5.50% effective July 1, 2015 (increased from 5.375%). Group C – 7.125% from July 1, 2015 to December 31, 2015 (increased from 7.00%) and then 7.25% effective January 1, 2016.

Retirement Stipend: \$25 per month payable at the option of the Board of Trustees.

**Significant Actuarial Assumptions and Methods**

Interest Rate: 7.95% per annum. Through July 1, 2014, a select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

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

Salary Increases: 5% per year.

Deaths:

Active participants: 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants: The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees: RP-2000 Disabled Life Tables.

Beneficiaries: 1995 Buck Mortality Tables for males and females.

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

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Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for Group B and C members.

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

Note: For funding purposes – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

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

Long-term Expected Rate of Return:

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	31.50%	8.61%
Fixed Income	33.00%	1.91%
Alternatives	15.50%	6.93%
Multi-strategy	20.00%	4.88%

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

Discount Rate: The discount rate used to measure the total pension liability was 7.95%, a decrease from 8.23% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.95%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%).

	Impact of a 1% Change in the Discount Rate	
	Discount Rate	Net Pension Liability
Current Rate	7.95%	537,005
1% Decrease	6.95%	1,072,631
1% Increase	8.95%	87,996

**Additional Information**

Additional information regarding the State of Vermont Municipal Employees’ Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

**2. VERMONT MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLAN**

The Town also participates in the VMERS defined contribution (DC) plan. Employees contribute 5% of the earnings to the plan and the Town contributes 5.125%. Covered payroll under the plan was \$1,216,531 and pension expense was \$62,347.

**B. RISK MANAGEMENT**

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

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

**C. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are due in three equal installments on August 15, November 15 and March 15. The Town assesses an 5% penalty on delinquent taxes and interest is assessed at 1.5% per month after the first month of delinquency. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2016 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.3602	.3602
Veterans Exemption	.0008	.0008
Education	<u>1.4916</u>	<u>1.5577</u>
Total	<u>1.8526</u>	<u>1.9187</u>

**D. ENDOWMENT FUND**

On March 24, 1998, the Pierson Library created an endowment at the Vermont Community Foundation. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds as of the end of the previous year. Payments are to be made at least semiannually. The endowment is not reflected on the balance sheet of the Town. The balance of the Endowment Fund at June 30, 2016 is \$99,287.

**E. CONTINGENT LIABILITIES**

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**F. SUBSEQUENT EVENTS**

At a special meeting held November 8, 2016, Shelburne voters approved a bond issue of up to \$500,000 for the purpose of replacing the Spear Street water line. Bond payments will be funded through water user fees. It is anticipated funds will be spent on this project in fiscal year 2017.

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	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
<b>Property Taxes:</b>			
Property Taxes	\$ 5,448,591	\$ 5,439,395	\$ (9,196)
Special Assessments	49,941	49,941	0
Penalties	31,000	46,841	15,841
Late Homestead Filing	12,000	17,113	5,113
Interest Income	25,000	41,584	16,584
	<u>5,566,532</u>	<u>5,594,874</u>	<u>28,342</u>
<b>Total Property Taxes</b>			
<b>Administration:</b>			
Liquor Licenses	2,800	3,210	410
Animal Licenses	5,300	5,632	332
Marriage/Civil Union Licenses	550	690	140
Recording Fees	55,000	42,691	(12,309)
Passport Fees and Photos	10,000	16,835	6,835
Miscellaneous	400	1,634	1,234
Copier Use	6,800	8,853	2,053
Vital Statistics Copies	3,800	5,881	2,081
Other Fees	1,900	1,745	(155)
	<u>86,550</u>	<u>87,171</u>	<u>621</u>
<b>Total Administration</b>			
<b>Highway Revenue:</b>			
Received for State Aid/Grant	145,000	144,907	(93)
Construction Reimbursements	0	622	622
Permits	8,100	24,480	16,380
Rt. 7 Village Sidewalk Grant	124,200	0	(124,200)
	<u>277,300</u>	<u>170,009</u>	<u>(107,291)</u>
<b>Total Highway Revenue</b>			
<b>Police Department:</b>			
Judicial Fees	60,000	57,923	(2,077)
Special Duty Reimbursement	35,000	27,786	(7,214)
Public Safety Grants	0	202,883	202,883
Dispatch Contracts	205,340	207,641	2,301
E911 Operation Grant	90,000	90,000	0
Other	22,200	33,235	11,035
	<u>412,540</u>	<u>619,468</u>	<u>206,928</u>
<b>Total Police Department</b>			
<b>Cemeteries:</b>			
	<u>1,400</u>	<u>5,800</u>	<u>4,400</u>
<b>Planning and Zoning:</b>			
Permits and Fees	46,275	74,616	28,341
Grant Revenue	21,000	0	(21,000)
	<u>67,275</u>	<u>74,616</u>	<u>7,341</u>
<b>Total Planning and Zoning</b>			

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BUDGET AND ACTUAL - BUDGETARY BASIS  
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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Water and Sewer:</b>			
Water Department Administration	\$ 44,217	\$ 44,217	\$ 0
Sewer Department Administration	44,217	44,217	0
<b>Total Water and Sewer</b>	<b>88,434</b>	<b>88,434</b>	<b>0</b>
<b>Recreation Department:</b>			
Sale of Beach Stickers	10,020	20,408	10,388
Fees and Recreation Programs	143,035	162,776	19,741
<b>Total Recreation Department</b>	<b>153,055</b>	<b>183,184</b>	<b>30,129</b>
Library Revenue	0	4,728	4,728
<b>Financial Management:</b>			
Investment Interest	1,000	763	(237)
<b>Total Financial Management</b>	<b>1,000</b>	<b>763</b>	<b>(237)</b>
<b>Miscellaneous Revenue:</b>			
Insurance Claims	0	4,096	4,096
First Aid and Rescue Miscellaneous	0	2,804	2,804
Fire/Rescue Grants/Other	5,000	15,484	10,484
Other	3,500	3,564	64
Payment in Lieu of Taxes	6,000	6,183	183
State Current Use Tax Payment	115,600	114,059	(1,541)
Act 60 Administration	41,000	46,745	5,745
Cellular Tower Fees	73,800	72,438	(1,362)
Mooring Fees	50,100	50,920	820
CSSU Village Center Lease	64,000	64,000	0
CSSU Building Maintenance Allocation	35,000	38,625	3,625
Use of Town Hall/Town Center	11,500	13,288	1,788
Pierson Building Lease	28,564	27,736	(828)
<b>Total Miscellaneous Revenue</b>	<b>434,064</b>	<b>459,942</b>	<b>25,878</b>
<b>Total Revenues</b>	<b>7,088,150</b>	<b>7,288,989</b>	<b>200,839</b>
<b>Expenditures:</b>			
<b>Selectboard:</b>			
Salaries	6,300	6,300	0
FICA	482	482	0
Selectboard's Expenses	8,300	8,755	(455)
VLCT Dues	8,619	8,619	0
Town Reports	2,240	2,471	(231)
<b>Total Selectboard</b>	<b>25,941</b>	<b>26,627</b>	<b>(686)</b>
Legal Services	30,000	322,935	(292,935)

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Administration - Municipal Offices:</b>			
Office Supplies	\$ 7,000	\$ 7,384	\$ (384)
Computer Hardware	2,700	1,585	1,115
Telephone	10,700	3,300	7,400
Computer Software	14,107	17,018	(2,911)
Technical Assistance	5,000	22,950	(17,950)
Training	7,000	819	6,181
Office Equipment and Repair	1,000	259	741
Postage	18,000	18,580	(580)
Copier Expense	7,000	5,735	1,265
Computer Technical Assistance	11,000	10,072	928
CSSU Data Line	3,100	2,571	529
<b>Total Administration - Municipal Offices</b>	<b>86,607</b>	<b>90,273</b>	<b>(3,666)</b>
<b>Town Manager:</b>			
Salaries	119,186	108,045	11,141
FICA	9,117	8,570	547
Retirement	6,236	5,093	1,143
Health and Other Insurance	29,577	22,466	7,111
Manager's Expenses	2,300	1,905	395
Vehicle Expense	2,500	2,031	469
Emergency Management	1,000	123	877
<b>Total Town Manager</b>	<b>169,916</b>	<b>148,233</b>	<b>21,683</b>
<b>Elections:</b>			
Salaries	1,000	1,599	(599)
Election Expense	1,000	1,794	(794)
BCA Expenses	500	457	43
<b>Total Elections</b>	<b>2,500</b>	<b>3,850</b>	<b>(1,350)</b>
<b>Finance and Insurance:</b>			
Salaries	171,479	172,480	(1,001)
FICA	12,872	13,946	(1,074)
Retirement	8,788	9,044	(256)
Health and Other Insurance	32,109	31,205	904
Property and Liability Insurance	226,940	255,355	(28,415)
Insurance Claims - Deductible	5,000	2,966	2,034
Auditing	14,000	18,362	(4,362)
<b>Total Finance and Insurance</b>	<b>471,188</b>	<b>503,358</b>	<b>(32,170)</b>
<b>Town Clerk/Treasurer:</b>			
Salaries	131,951	136,025	(4,074)
FICA	10,448	10,478	(30)
Retirement	6,762	6,073	689
Health and Other Insurance	26,889	22,844	4,045
Expense	1,950	1,264	686
Office Expenses	7,500	6,127	1,373
Microfilming and Preservation	40,000	19,972	20,028
Records Automation	20,000	15,550	4,450
<b>Total Town Clerk/Treasurer</b>	<b>245,500</b>	<b>218,333</b>	<b>27,167</b>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Planning and Zoning:</b>			
Salaries	\$ 151,885	\$ 149,278	\$ 2,607
FICA	11,310	10,787	523
Retirement	7,784	7,232	552
Health and Other Insurance	54,222	41,683	12,539
Planning Expense	6,500	8,431	(1,931)
Conference and Training	900	160	740
Town Plan and Special Projects	30,000	16,507	13,493
Planning Assistance	5,700	9,775	(4,075)
GIS Software	4,590	7,930	(3,340)
<b>Total Planning and Zoning</b>	<b>272,891</b>	<b>251,783</b>	<b>21,108</b>
<b>Assessor's Office:</b>			
Salaries	37,279	37,852	(573)
FICA	4,858	4,524	334
Retirement	1,396	1,406	(10)
Health and Other Insurance	7,583	10,614	(3,031)
Administrative Assistant	27,246	27,992	(746)
Assessor Expenses	3,500	3,321	179
<b>Total Assessor's Office</b>	<b>81,862</b>	<b>85,709</b>	<b>(3,847)</b>
<b>Buildings and Grounds:</b>			
Salaries	97,534	94,271	3,263
FICA	7,234	7,156	78
Retirement	4,653	4,481	172
Health and Other Insurance	37,395	36,074	1,321
Town Center Operating Expenses	35,000	50,100	(15,100)
Town Parade Ground Expenses	0	283	(283)
Town Center Building Maintenance	12,600	7,055	5,545
Town Hall Operating Expense	1,600	8,379	(6,779)
Town Hall Building Maintenance	3,700	4,272	(572)
Town Hall Heating Fuel	9,268	5,498	3,770
Town Center Heating Fuel	20,506	15,479	5,027
Town Center Utilities	50,097	49,532	565
Pierson Building Utilities and Maintenance	2,000	292	1,708
Recreation Fields Maintenance	10,000	3,701	6,299
Capital Projects	20,000	9,980	10,020
<b>Total Buildings and Grounds</b>	<b>311,587</b>	<b>296,553</b>	<b>15,034</b>
<b>Public Works:</b>			
Stormwater Permits	9,300	16,409	(7,109)
Stormwater Maintenance	11,524	17,249	(5,725)
Munro Brook Flow Restoration Project	41,500	33,735	7,765
<b>Total Public Works</b>	<b>62,324</b>	<b>67,393</b>	<b>(5,069)</b>

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BUDGET AND ACTUAL - BUDGETARY BASIS  
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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Harbormaster:</b>			
Salaries	\$ 5,110	\$ 5,110	\$ 0
FICA	391	391	0
Mooring Inspection/Maintenance	13,100	13,236	(136)
Seasonal Dock Installation/Removal	4,200	6,561	(2,361)
Equipment	5,500	705	4,795
Maintenance/Administration	300	0	300
<b>Total Harbormaster</b>	<b>28,601</b>	<b>26,003</b>	<b>2,598</b>
<b>Police Department:</b>			
Salaries	836,983	801,792	35,191
FICA	72,626	78,750	(6,124)
Retirement	56,332	56,748	(416)
Health and Other Insurance	226,028	210,172	15,856
Overtime Salaries	111,725	122,717	(10,992)
Special Duty Details	21,890	24,176	(2,286)
Office	9,000	9,153	(153)
Telephone	11,300	11,959	(659)
Radio Expense	16,180	18,940	(2,760)
Travel and Conferences	2,500	5,108	(2,608)
Photos	6,300	5,373	927
Training	10,000	5,293	4,707
Gasoline	45,000	31,311	13,689
Tires	4,900	3,506	1,394
Vehicle Maintenance and Repairs	12,000	17,320	(5,320)
General Equipment	4,000	7,382	(3,382)
Fingerprint Equipment and Supplies	3,500	3,831	(331)
Uniform Purchases	8,000	3,709	4,291
Uniform Cleaning	4,000	2,836	1,164
Computer Maintenance	12,900	5,688	7,212
Building Maintenance	2,000	3,799	(1,799)
Matching Funds	1,000	0	1,000
Capital Improvement	12,160	0	12,160
Animal Enforcement	2,750	3,722	(972)
Police/C.U.S.I	11,427	11,427	0
Other Grants	0	174,280	(174,280)
Governors Highway Safety Grants	0	12,459	(12,459)
<b>Total Police Department</b>	<b>1,504,501</b>	<b>1,631,451</b>	<b>(126,950)</b>
<b>Fire Department:</b>			
Salaries	42,000	42,176	(176)
FICA	2,831	3,089	(258)
Office Supplies and Phones	5,225	4,471	754
Building Heat and Service	9,500	4,517	4,983
Fire Prevention - Training	7,000	5,854	1,146
Radio Maintenance	5,025	1,226	3,799
Protective Clothing	22,500	23,694	(1,194)
Gas and Oil	6,000	2,456	3,544
Fire Fighting Supplies	5,000	3,248	1,752
Equipment Maintenance	24,600	34,388	(9,788)
Building Maintenance	6,000	5,799	201
Equipment	19,430	23,645	(4,215)

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department/(Cont'd):			
Improvements	\$ 22,500	\$ 18,702	\$ 3,798
Rescue Boat Expense	5,900	3,853	2,047
Periodicals	2,000	2,061	(61)
Physicals/RFT Test	3,000	640	2,360
Membership Events and Incentives	5,500	5,642	(142)
Grant Expense and Other	0	6,895	(6,895)
<b>Total Fire Department</b>	<b>194,011</b>	<b>192,356</b>	<b>1,655</b>
Public Safety and Dispatch:			
Dispatch Salaries	376,164	384,724	(8,560)
Overtime Salaries	46,524	54,490	(7,966)
FICA	31,147	34,380	(3,233)
Retirement	20,984	22,872	(1,888)
Health and Other Insurance	81,049	73,339	7,710
Training	3,000	1,582	1,418
Uniforms	2,100	652	1,448
Capital Improvements	2,000	456	1,544
Dispatch Radio Equipment	9,000	10,929	(1,929)
Computer Use	17,020	19,253	(2,233)
<b>Total Public Safety and Dispatch</b>	<b>588,988</b>	<b>602,677</b>	<b>(13,689)</b>
Public Works - Highways:			
Salaries	263,428	254,657	8,771
FICA	22,938	21,570	1,368
Retirement	15,486	14,096	1,390
Health and Other Insurance	83,215	78,371	4,844
Overtime Salaries	27,951	13,471	14,480
Interdepartmental Assistance	1,835	487	1,348
Road Maintenance	30,000	38,919	(8,919)
Tree Removal	5,000	6,655	(1,655)
Drainage System	15,000	11,693	3,307
Construction Projects	40,000	0	40,000
Retreatment/Repaving	300,000	300,644	(644)
Sidewalk/Paths Engineering	2,000	0	2,000
Garage Heating Fuel	7,616	5,455	2,161
Engineering Services	3,000	170	2,830
Street Signs	3,000	4,882	(1,882)
Winter Sand	5,000	7,705	(2,705)
Winter Salt	90,000	55,163	34,837
Garage Utilities	11,000	9,359	1,641
Uniforms	4,200	3,235	965
Gas and Diesel	35,000	13,419	21,581
Equipment Repair and Maintenance	50,000	52,877	(2,877)
Street and Caution Lights	10,200	9,167	1,033
Garage Supplies	5,000	10,674	(5,674)
Building Maintenance	5,000	96	4,904
Line Striping and Crosswalks	4,500	3,972	528
Street Lights Upgrade	20,000	0	20,000
Grant Expense Route 7 Sidewalk	138,000	23,262	114,738
Other Expenses	0	5,982	(5,982)
<b>Total Public Works - Highways</b>	<b>1,198,369</b>	<b>945,981</b>	<b>252,388</b>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Health and Social Services:</b>			
Health Officer Salary	\$ 939	\$ 0	\$ 939
United Way Donation	38,000	38,000	0
Health Officer Expenses	450	0	450
<b>Total Health and Social Services</b>	<b>39,389</b>	<b>38,000</b>	<b>1,389</b>
<b>Rescue:</b>			
Medical Supplies	20,000	27,494	(7,494)
Rescue Overtime	861	0	861
FICA	10,836	8,272	2,564
Retirement	2,236	1,319	917
Health and Other Insurance	10,146	6,257	3,889
Uniforms	2,000	370	1,630
Operating	16,000	31,297	(15,297)
Transport Billing Expense	17,000	14,784	2,216
Oxygen	5,000	4,403	597
Training	2,200	10,843	(8,643)
Office	2,000	2,319	(319)
Office Equipment	500	1,774	(1,274)
Communications	2,500	3,962	(1,462)
Vehicle	11,000	11,910	(910)
Building Heating Fuel	2,300	1,824	476
Building Utilities	7,380	5,492	1,888
Building Maintenance	5,500	5,668	(168)
Volunteer Compensation	16,500	22,149	(5,649)
Volunteer Incentive Compensation	40,000	18,447	21,553
Compensation - Full Part-Time	60,437	98,701	(38,264)
Immunizations	75	174	(99)
Public Education	500	242	258
<b>Total Rescue</b>	<b>234,971</b>	<b>277,701</b>	<b>(42,730)</b>
<b>Cemeteries:</b>			
Salaries	29,121	26,067	3,054
Benefits	2,228	2,594	(366)
Supplies and Tools	800	981	(181)
Committee Expenses	100	400	(300)
Gas Expense	1,200	1,064	136
Equipment Maintenance	800	929	(129)
Equipment Purchases	500	308	192
Capital Projects	5,000	4,722	278
Outside Services	2,800	2,922	(122)
Interments	0	5,300	(5,300)
Cremation Garden	1,000	656	344
<b>Total Cemeteries</b>	<b>43,549</b>	<b>45,943</b>	<b>(2,394)</b>

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TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Recreation:			
Administrative Salaries	\$ 88,550	\$ 91,561	\$ (3,011)
FICA	7,820	8,383	(563)
Retirement	4,538	4,551	(13)
Health and Other Insurance	33,290	28,569	4,721
Administration Expenses	8,913	2,984	5,929
Public Information	6,890	6,521	369
Beach Salaries	16,140	22,697	(6,557)
Beach Equipment	1,275	435	840
Beach Utilities	1,902	3,031	(1,129)
Beach Capital Improvements	0	9,153	(9,153)
Adult Sports Leagues	2,550	292	2,258
Dog Obedience	3,150	2,200	950
Davis Park	3,930	32,493	(28,563)
Park Maintenance	17,050	1,350	15,700
Martial Arts	1,915	2,237	(322)
Beach Maintenance	3,500	1,979	1,521
Lacrosse Programs	9,812	9,892	(80)
Swim Lessons	50	0	50
Youth Basketball	3,505	2,909	596
Babe Ruth Baseball	4,900	3,451	1,449
Summer Soccer Camp	9,300	15,840	(6,540)
Softball	5,127	2,645	2,482
Youth Soccer	9,970	7,991	1,979
Little League Baseball	21,565	24,089	(2,524)
Recreation Programs - Non-League	30,865	34,181	(3,316)
Special Events and Concerts	12,450	9,702	2,748
Ski Program	7,975	7,300	675
	<u>316,932</u>	<u>336,436</u>	<u>(19,504)</u>
Total Recreation			
Library:			
Salaries	197,009	201,260	(4,251)
FICA	14,719	15,173	(454)
Retirement	9,662	9,380	282
Health and Other Insurance	53,999	51,654	2,345
Supplies	5,000	5,888	(888)
Materials	42,225	42,551	(326)
Building	6,500	5,750	750
Utilities	15,700	15,951	(251)
Equipment Purchase and Maintenance	1,300	1,457	(157)
Administrative	1,100	1,218	(118)
Programs	4,000	4,009	(9)
Computer Hardware and Software	7,300	6,942	358
	<u>358,514</u>	<u>361,233</u>	<u>(2,719)</u>
Total Library			

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TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Debt Management:</b>			
Fire Truck Note	\$ 51,464	\$ 50,748	\$ 716
Town Center Project	312,621	312,621	0
Highway Sand and Salt Shed	30,614	30,614	0
Recreation Fields Project	109,421	109,411	10
Bike Path Bond 2008 Issue	26,977	26,977	0
Recreation Path Bond 2010 Issue	28,463	28,945	(482)
Beach Sea Wall 2010 Issue	16,978	17,090	(112)
Beaver Creek 2010 Issue	49,941	49,941	0
Dispatch Radio Equipment	16,315	16,007	308
Mount Philo Sidewalk 2010	5,054	5,056	(2)
Harbor Road Sidewalk	34,376	34,376	0
<b>Total Debt Management</b>	<u>682,224</u>	<u>681,786</u>	<u>438</u>
<b>Intergovernmental:</b>			
County Tax	66,977	66,534	443
G.B.I.C.	1,200	1,200	0
Chittenden County Regional Planning	18,431	18,431	0
Chittenden County Transit Authority	104,051	104,057	(6)
<b>Total Intergovernmental</b>	<u>190,659</u>	<u>190,222</u>	<u>437</u>
<b>Employee Benefits:</b>			
HRA Expenses	147,900	150,896	(2,996)
Health Insurance/Flex Spending Administration Expense	24,105	15,023	9,082
Miscellaneous	0	316	(316)
Employee Assistance Program	700	684	16
Employee Events/Recognition	0	638	(638)
Immunizations	1,000	0	1,000
<b>Total Employee Benefits</b>	<u>173,705</u>	<u>167,557</u>	<u>6,148</u>
<b>Miscellaneous:</b>			
Selectboard Discretionary	3,700	2,360	1,340
Community Events	1,500	1,444	56
Tree Conservation	1,000	3,400	(2,400)
Committee Support	6,500	200	6,300
Miscellaneous Expense	0	4,989	(4,989)
<b>Total Miscellaneous</b>	<u>12,700</u>	<u>12,393</u>	<u>307</u>
<b>Total Expenditures</b>	<u>7,327,429</u>	<u>7,524,786</u>	<u>(197,357)</u>

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TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(239,279)</u>	\$ <u>(235,797)</u>	\$ <u>3,482</u>
Other Financing Sources/(Uses):			
Transfer from Records Preservation Fund	60,000	34,949	(25,051)
Transfer from Cemetery Fund	9,000	9,000	0
Transfer from Bay Park Fund	5,500	0	(5,500)
Transfer from Recreation (Baseball) Fund	10,395	6,118	(4,277)
Transfer from Recreation-Other	0	560	560
Transfer from Ambulance Fund	237,484	279,230	41,746
Transfer from Recreation Impact Fees	75,000	75,000	0
Transfer to Dog Park Fund	0	(765)	(765)
Transfer to Bay Park Fund	(8,500)	(8,500)	0
Transfer to Police Fund	(35,000)	(35,000)	0
Transfer to Highway Equipment Fund	(81,000)	(81,000)	0
Transfer to Sewer Fund for Stormwater	(5,000)	(5,000)	0
Transfer to Other (Cemetery Tractor) Fund	(1,600)	(1,600)	0
Transfer to Other (Community Fund)	(2,000)	(2,000)	0
Transfer to Open Space Fund	<u>(25,000)</u>	<u>(25,000)</u>	<u>0</u>
Total Other Financing Sources/(Uses)	<u>239,279</u>	<u>245,992</u>	<u>6,713</u>
Excess of Revenues and Other Financing Sources			
Over Expenditures and Other Financing/(Uses)	\$ <u><u>0</u></u>	10,195	\$ <u><u>10,195</u></u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Ambulance Fund Revenues		256,968	
Ambulance Fund Transfer		<u>(279,230)</u>	
Net Change in Fund Balance		(12,067)	
Fund Balance - July 1, 2015		<u>1,006,682</u>	
Fund Balance - June 30, 2016		\$ <u><u>994,615</u></u>	

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TOWN OF SHELBURNE, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 VMERS DEFINED BENEFIT PLAN  
 JUNE 30, 2016

	2016	2015
Total Plan Net Pension Liability	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.69654%	0.6842%
Town's Proportionate Share of the Net Pension Liability	\$ 537,005	\$ 62,440
Town's Covered Employee Payroll	\$ 1,866,277	\$ 1,687,080
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	28.77%	3.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42% as of June 30, 2015	98.32% as of June 30, 2014

**Notes to the Schedule:**

Benefit Changes: none

Changes in Assumptions: The discount rate used to measure net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return for funding purposes.

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

Valuation Dates: June 30, 2015 and 2014

See Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contributions (Actuarially Determined)	\$ 109,840	\$ 97,366
Contributions in Relation to the Actuarially Determined Contributions	<u>(109,840)</u>	<u>(97,366)</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 1,866,277	\$ 1,687,080
Contributions as a Percentage of Covered Employee Payroll	5.89%	5.77%

**Notes to the Schedule:**

Valuation Dates: June 30, 2015 and 2014

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

See Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash	\$ 0	\$ 0	\$ 28,652	\$ 28,652
Investments	141,657	0	268,001	409,658
Due from Other Funds	<u>580,447</u>	<u>524,950</u>	<u>96,044</u>	<u>1,201,441</u>
Total Assets	<u>\$ 722,104</u>	<u>\$ 524,950</u>	<u>\$ 392,697</u>	<u>\$ 1,639,751</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ 5,589	\$ 0	\$ 0	\$ 5,589
Due to Other Funds	<u>66,862</u>	<u>0</u>	<u>39,441</u>	<u>106,303</u>
Total Liabilities	<u>72,451</u>	<u>0</u>	<u>39,441</u>	<u>111,892</u>
 <u>FUND BALANCES</u>				
Restricted	221,792	337,564	353,256	912,612
Committed	272,031	98,648	0	370,679
Assigned	<u>155,830</u>	<u>88,738</u>	<u>0</u>	<u>244,568</u>
Total Fund Balances	<u>649,653</u>	<u>524,950</u>	<u>353,256</u>	<u>1,527,859</u>
Total Liabilities and Fund Balances	<u>\$ 722,104</u>	<u>\$ 524,950</u>	<u>\$ 392,697</u>	<u>\$ 1,639,751</u>

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TOWN OF SHELBURNE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>Revenues:</b>				
Intergovernmental	\$ 27,988	\$ 0	\$ 0	\$ 27,988
Charge for services	21,088	0	0	21,088
Investment Income	1,169	0	9,791	10,960
Fees and Licenses	26,090	12,919	9,450	48,459
Contributions	59,665	600	8,318	68,583
Other Revenue	<u>0</u>	<u>7,305</u>	<u>0</u>	<u>7,305</u>
<b>Total Revenues</b>	<u>136,000</u>	<u>20,824</u>	<u>27,559</u>	<u>184,383</u>
<b>Expenditures:</b>				
General Government	5,000	0	0	5,000
Public Safety	0	1,308	0	1,308
Recreation and Parks	54,097	0	0	54,097
Highway and Public Works	0	126	0	126
Library	0	11,298	765	12,063
<b>Capital Outlay:</b>				
Recreation and Parks	10,399	0	0	10,399
Public Safety	0	72,846	0	72,846
Highways and Public Works	0	49,782	0	49,782
<b>Debt Service:</b>				
Principal	0	164,000	0	164,000
Interest	<u>0</u>	<u>2,827</u>	<u>0</u>	<u>2,827</u>
<b>Total Expenditures</b>	<u>69,496</u>	<u>302,187</u>	<u>765</u>	<u>372,448</u>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<u>66,504</u>	<u>(281,363)</u>	<u>26,794</u>	<u>(188,065)</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Sale of Equipment	0	113,864	0	113,864
Proceeds from Long-Term Debt	0	92,000	0	92,000
Transfers In	29,365	124,500	0	153,865
Transfers Out	<u>(116,627)</u>	<u>0</u>	<u>(9,000)</u>	<u>(125,627)</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>(87,262)</u>	<u>330,364</u>	<u>(9,000)</u>	<u>234,102</u>
<b>Net Change in Fund Balances</b>	(20,758)	49,001	17,794	46,037
<b>Fund Balances - July 1, 2015</b>	<u>670,411</u>	<u>475,949</u>	<u>335,462</u>	<u>1,481,822</u>
<b>Fund Balances - June 30, 2016</b>	<u>\$ 649,653</u>	<u>\$ 524,950</u>	<u>\$ 353,256</u>	<u>\$ 1,527,859</u>

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TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2016

	Recreation Related Funds	ACT 60 Reappraisal Fund	Open Land Trust Fund	Record Preservation Fund	Other Funds	Total
<u>ASSETS</u>						
Investments	\$ 141,657	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,657
Due from Other Funds	<u>0</u>	<u>155,830</u>	<u>261,155</u>	<u>114,511</u>	<u>48,951</u>	<u>580,447</u>
Total Assets	<u>\$ 141,657</u>	<u>\$ 155,830</u>	<u>\$ 261,155</u>	<u>\$ 114,511</u>	<u>\$ 48,951</u>	<u>\$ 722,104</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 5,139	\$ 0	\$ 0	\$ 0	\$ 450	\$ 5,589
Due to Other Funds	<u>66,862</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,862</u>
Total Liabilities	<u>72,001</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>450</u>	<u>72,451</u>
<u>FUND BALANCES</u>						
Restricted	69,656	0	0	114,511	37,625	221,792
Committed	0	0	261,155	0	10,876	272,031
Assigned	<u>0</u>	<u>155,830</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>155,830</u>
Total Fund Balances	<u>69,656</u>	<u>155,830</u>	<u>261,155</u>	<u>114,511</u>	<u>48,501</u>	<u>649,653</u>
Total Liabilities and Fund Balances	<u>\$ 141,657</u>	<u>\$ 155,830</u>	<u>\$ 261,155</u>	<u>\$ 114,511</u>	<u>\$ 48,951</u>	<u>\$ 722,104</u>

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TOWN OF SHELBURNE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Recreation Related Funds	ACT 60 Reappraisal Fund	Open Land Trust Fund	Record Preservation Fund	Other Funds	Total
Revenues:						
Intergovernmental	\$ 0	\$ 27,988	\$ 0	\$ 0	\$ 0	\$ 27,988
Investment Income	1,169	0	0	0	0	1,169
Fees and licenses	0	0	0	26,090	0	26,090
Charge for services	21,088	0	0	0	0	21,088
Contributions	<u>34,468</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,197</u>	<u>59,665</u>
Total Revenues	<u>56,725</u>	<u>27,988</u>	<u>0</u>	<u>26,090</u>	<u>25,197</u>	<u>136,000</u>
Expenditures:						
General Government	0	5,000	0	0	0	5,000
Recreation and Parks	46,629	0	0	0	7,468	54,097
Capital Outlay:						
Recreation and Parks	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,399</u>	<u>10,399</u>
Total Expenditures	<u>46,629</u>	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>17,867</u>	<u>69,496</u>
Excess of Revenues Over Expenditures	<u>10,096</u>	<u>22,988</u>	<u>0</u>	<u>26,090</u>	<u>7,330</u>	<u>66,504</u>
Other Financing Sources/(Uses):						
Transfers In	765	0	25,000	0	3,600	29,365
Transfers Out	<u>(81,678)</u>	<u>0</u>	<u>0</u>	<u>(34,949)</u>	<u>0</u>	<u>(116,627)</u>
Total Other Financing Sources/(Uses)	<u>(80,913)</u>	<u>0</u>	<u>25,000</u>	<u>(34,949)</u>	<u>3,600</u>	<u>(87,262)</u>
Net Change in Fund Balances	(70,817)	22,988	25,000	(8,859)	10,930	(20,758)
Fund Balances - July 1, 2015	<u>140,473</u>	<u>132,842</u>	<u>236,155</u>	<u>123,370</u>	<u>37,571</u>	<u>670,411</u>
Fund Balances - June 30, 2016	<u>\$ 69,656</u>	<u>\$ 155,830</u>	<u>\$ 261,155</u>	<u>\$ 114,511</u>	<u>\$ 48,501</u>	<u>\$ 649,653</u>

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TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Police Fund	Fire Truck Fund	Total
<u>ASSETS</u>								
Due from Other Funds	\$ 44,022	\$ 3,375	\$ 38,381	\$ 268,969	\$ 23,128	\$ 81,465	\$ 65,610	\$ 524,950
Total Assets	\$ 44,022	\$ 3,375	\$ 38,381	\$ 268,969	\$ 23,128	\$ 81,465	\$ 65,610	\$ 524,950
<u>LIABILITIES</u>								
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCES</u>								
Restricted	0	3,375	38,381	268,969	0	26,839	0	337,564
Committed	44,022	0	0	0	0	54,626	0	98,648
Assigned	0	0	0	0	23,128	0	65,610	88,738
Total Fund Balances	44,022	3,375	38,381	268,969	23,128	81,465	65,610	524,950
Total Liabilities and Fund Balances	\$ 44,022	\$ 3,375	\$ 38,381	\$ 268,969	\$ 23,128	\$ 81,465	\$ 65,610	\$ 524,950

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TOWN OF SHELBURNE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Police Fund	Fire Truck Fund	Total
<b>Revenues:</b>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600	\$ 0	\$ 600
Fees and Licenses	0	0	12,919	0	0	0	0	12,919
Other	0	2,155	0	5,150	0	0	0	7,305
<b>Total Revenues</b>	<b>0</b>	<b>2,155</b>	<b>12,919</b>	<b>5,150</b>	<b>0</b>	<b>600</b>	<b>0</b>	<b>20,824</b>
<b>Expenditures:</b>								
Public Safety	0	0	0	0	0	1,308	0	1,308
Highway and Public Works	0	0	0	126	0	0	0	126
Library	0	0	11,298	0	0	0	0	11,298
Capital Outlay:								
Highways and Public Works	0	6,625	0	43,157	0	0	0	49,782
Public Safety	0	0	0	0	0	72,846	0	72,846
Debt Service - Principal	0	0	0	164,000	0	0	0	164,000
Debt Service - Interest	0	0	0	2,827	0	0	0	2,827
<b>Total Expenditures</b>	<b>0</b>	<b>6,625</b>	<b>11,298</b>	<b>210,110</b>	<b>0</b>	<b>74,154</b>	<b>0</b>	<b>302,187</b>
Excess/(Deficiency) of Revenue Over Expenditures	0	(4,470)	1,621	(204,960)	0	(73,554)	0	(281,363)
<b>Other Financing Sources:</b>								
Loan Proceeds	0	0	0	92,000	0	0	0	92,000
Proceeds from Sale of Equipment	0	0	0	46,754	0	1,500	65,610	113,864
Transfers In	8,500	0	0	81,000	0	35,000	0	124,500
<b>Total Other Financing Sources</b>	<b>8,500</b>	<b>0</b>	<b>0</b>	<b>219,754</b>	<b>0</b>	<b>36,500</b>	<b>65,610</b>	<b>330,364</b>
Excess/(Deficiency) of Revenues and Other Financing Sources/(Uses) Over Expenditures	8,500	(4,470)	1,621	14,794	0	(37,054)	65,610	49,001
Fund Balance - July 1, 2015	35,522	7,845	36,760	254,175	23,128	118,519	0	475,949
Fund Balance - June 30, 2016	\$ 44,022	\$ 3,375	\$ 38,381	\$ 268,969	\$ 23,128	\$ 81,465	\$ 65,610	\$ 524,950

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TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR PERMANENT FUNDS  
 JUNE 30, 2016

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<u>ASSETS</u>				
Cash	\$ 28,652	\$ 0	\$ 0	\$ 28,652
Investments	0	160,013	107,988	268,001
Due from Other Funds	0	65,077	30,967	96,044
Total Assets	\$ 28,652	\$ 225,090	\$ 138,955	\$ 392,697
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ 0	\$ 0	\$ 39,441	\$ 39,441
Total Liabilities	0	0	39,441	39,441
Fund Balances:				
Restricted	28,652	225,090	99,514	353,256
Total Fund Balances	28,652	225,090	99,514	353,256
Total Liabilities and Fund Balances	\$ 28,652	\$ 225,090	\$ 138,955	\$ 392,697

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
Revenues:				
Contributions and Grants	\$ 8,318	\$ 0	\$ 0	\$ 8,318
Fees and Licenses	0	9,450	0	9,450
Investment Income (Loss)	51	(6,677)	16,417	9,791
Total Revenues	<u>8,369</u>	<u>2,773</u>	<u>16,417</u>	<u>27,559</u>
Expenditures:				
Library	<u>765</u>	<u>0</u>	<u>0</u>	<u>765</u>
Total Expenditures	<u>765</u>	<u>0</u>	<u>0</u>	<u>765</u>
Excess of Revenues Over Expenditures	<u>7,604</u>	<u>2,773</u>	<u>16,417</u>	<u>26,794</u>
Other Financing Sources/(Uses):				
Transfers Out	<u>0</u>	<u>(9,000)</u>	<u>0</u>	<u>(9,000)</u>
Total Other Financing Sources/(Uses)	<u>0</u>	<u>(9,000)</u>	<u>0</u>	<u>(9,000)</u>
Net Change in Fund Balances	7,604	(6,227)	16,417	17,794
Fund Balances - July 1, 2015	<u>21,048</u>	<u>231,317</u>	<u>83,097</u>	<u>335,462</u>
Fund Balances - June 30, 2016	<u>\$ 28,652</u>	<u>\$ 225,090</u>	<u>\$ 99,514</u>	<u>\$ 353,256</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)  
WATER FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Water Sales	\$ 894,026	\$ 923,442	\$ 29,416
Cut-Ins	7,500	21,000	13,500
Interest Income	2,000	4,662	2,662
Hydrant Maintenance Fees	6,300	6,700	400
Turn On/Off and Final Bill Charges	4,400	4,325	(75)
Tank Space Rent	27,301	27,301	0
Interest and Penalties	11,000	9,344	(1,656)
Transfer from General Fund	2,000	2,000	0
Transfer from Sewer Fund	19,236	19,230	(6)
Charges for Materials, Services and Miscellaneous	1,000	6,001	5,001
<b>Total Revenues</b>	<b>974,763</b>	<b>1,024,005</b>	<b>49,242</b>
<b>Expenses and Transfers:</b>			
Accounting and Auditing	2,334	2,334	0
Building Maintenance	1,000	1,034	(34)
Computer Services	2,000	2,266	(266)
Contractors and Equipment Rental	65,000	148,617	(83,617)
Debt Service	115,960	115,960	0
Employee Insurance - Dental, Disability and Life	5,386	5,413	(27)
Employee Insurance - Health	71,606	62,985	8,621
Employee Retirement	9,649	10,042	(393)
Employee Salaries - Overtime	18,190	18,623	(433)
Employee Salaries - Regular	167,402	175,734	(8,332)
Employee Social Security	14,137	14,500	(363)
Engineering	6,000	11,877	(5,877)
Equipment and Large Tools	2,000	349	1,651
Hydrant Installation and Maintenance	5,000	988	4,012
Insurance -Property/Casualty/Workers Comp.	12,600	12,602	(2)
Legal Services	5,000	6,710	(1,710)
Materials	5,000	10,921	(5,921)
Meter Purchases and Replacement	6,500	12,258	(5,758)
Mileage	100	0	100
Miscellaneous	3,000	8,348	(5,348)
Office Supplies	1,700	1,979	(279)
Postage	2,800	2,325	475
Pump Station	4,000	2,609	1,391
Small Tools	1,000	1,134	(134)
State Water Quality Fee	8,360	8,121	239
Tank Maintenance	0	4,753	(4,753)
Telephones/Pagers	3,900	3,326	574
Training	2,000	870	1,130
Uniforms	2,200	2,397	(197)
Valve Replacement/Maintenance	5,000	1,556	3,444
Vehicle Gas and Oil	6,000	4,095	1,905
Vehicle Repair and Maintenance	3,500	2,513	987
Water Purchases	330,722	343,736	(13,014)
Transfer to General Fund/(Administrative Services)	44,217	44,217	0
Transfer to Capital Improvement Fund	41,500	0	41,500
<b>Total Expenses and Transfers</b>	<b>974,763</b>	<b>1,045,192</b>	<b>(70,429)</b>
<b>Net Income/(Loss)</b>	<b>\$ 0</b>	<b>(21,187)</b>	<b>\$ (21,187)</b>
<b>Adjustments to Reconcile to GAAP Basis Statements:</b>			
Depreciation Expense		(107,179)	
Principal Payments		85,000	
Capital Fund Activity not in the Operating Budget		53,186	
GASB 68 Pension Adjustment		7,680	
Accrued Debt Interest Expense		(1,779)	
<b>Change in Net Position - Exhibit G</b>		<b>\$ 15,721</b>	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 SCHEDULE OF REVENUES AND EXPENSES  
 BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)  
 SEWER FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues and Transfers:</b>			
User Fees	\$ 1,719,796	\$ 1,710,377	\$ (9,419)
Outside Septage	51,000	57,815	6,815
Interest and Penalties	25,000	21,647	(3,353)
Other	700	4,178	3,478
Transfer from General Fund (Stormwater Admin.)	5,000	5,000	0
Transfer from Sewer Expansion Fund	50,000	50,000	0
<b>Total Revenues and Transfers</b>	<b>1,851,496</b>	<b>1,849,017</b>	<b>(2,479)</b>
<b>Expenses and Transfers:</b>			
Wages - Regular	264,858	272,998	(8,140)
Wages - Overtime	26,451	28,674	(2,223)
Social Security	21,986	23,334	(1,348)
Health and Dental Insurance	87,119	63,538	23,581
Employee Retirement	15,777	13,240	2,537
Other Employee Benefits	6,702	8,009	(1,307)
Chemicals	38,800	33,981	4,819
Collection System Capital Improvements	25,000	48,505	(23,505)
Collection System Maintenance	40,000	24,796	15,204
Debt Service	615,359	599,840	15,519
Electricity	176,450	167,831	8,619
Heating Fuel	24,200	16,970	7,230
Lab Testing and Equipment	21,500	22,694	(1,194)
Miscellaneous Expense	3,500	2,987	513
Office Expense	6,500	4,815	1,685
Permits	4,000	3,300	700
Plant Maintenance	165,600	100,186	65,414
Plant Capital Improvements	0	65,689	(65,689)
Professional Services (Legal, Accounting, Engineering)	31,900	19,676	12,224
Insurance, Property, Liability and Workers Compensation	35,637	34,637	1,000
Safety Equipment	1,000	3,244	(2,244)
SCADA System Maintenance	3,500	525	2,975
Sludge Disposal	90,000	85,466	4,534
Training/Travel	5,500	1,978	3,522
Transfer to Capital Improvement Fund	50,000	50,000	0
Transfer to General Fund (Administrative Services)	44,217	44,217	0
Transfer to Water Fund (Meter Reading Services)	19,230	19,230	0
Truck Expense	14,000	14,429	(429)
Utilities (Phone, Telemetry, Water)	12,710	10,890	1,820
<b>Total Expenses and Transfers</b>	<b>1,851,496</b>	<b>1,785,679</b>	<b>65,817</b>
<b>Net Income/(Loss)</b>	<b>\$ <u>0</u></b>	<b>63,338</b>	<b>\$ <u>63,338</u></b>
<b>Adjustments to Reconcile to GAAP Basis Statements:</b>			
Transfer from Sewer Capacity Fund		(50,000)	
Transfer to Capital Improvement Fund		50,000	
SRF Loan Balance Adjustment		206,860	
Capacity Fund Interest Income		2,220	
Capital Fund Engineering Expense		(1,745)	
Depreciation Expense		(423,115)	
Debt Principal		586,188	
Debt Accrued Interest		(8,523)	
Capital Projects		89,694	
Capacity Fund Connection Fees		136,598	
GASB 68 Pension Adjustment		(17,443)	
<b>Change in Net Position - Exhibit G</b>		<b>\$ <u>634,072</u></b>	

See Disclaimer in Accompanying Independent Auditor's Report.

**Sullivan, Powers & Co., P.C.**  
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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"

Selectboard  
Town of Shelburne  
5420 Shelburne Road  
P.O. Box 88  
Shelburne, Vermont 05482

We have audited, 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, the financial statements 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 and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Shelburne, Vermont's basic financial statements, and have issued our report thereon dated February 14, 2017.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies in internal control over financial reporting that we consider to material weaknesses and other deficiencies that we consider to be a significant deficiencies.

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 Town of Shelburne, Vermont's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Deficiencies in Internal Control as Items 2016-1 and 2016-2 to be material weaknesses.

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. We consider the deficiencies described the accompanying Schedule of Deficiencies in Internal Control as Items 2016-3 and 2016-4 to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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".

However, we have noted certain other matters that we reported to the management of the Town of Shelburne, Vermont in a separate letter dated February 14, 2017.

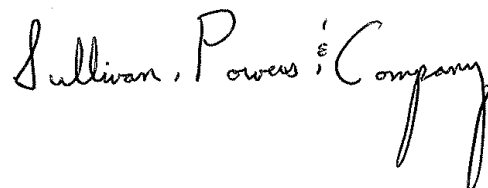
### ***Town of Shelburne, Vermont's Responses to the Deficiencies in Internal Control***

The Town of Shelburne, Vermont's responses to the deficiencies in internal control identified in our audit is included with the accompanying Schedule of Deficiencies in Internal Control. We did not audit the Town of Shelburne, Vermont's responses and accordingly, we express no opinion on them.

### ***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 Town of Shelburne, Vermont'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 Town of Shelburne, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 14, 2017  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

Deficiencies in Internal Control:

Material Weaknesses:

2016-1 Segregation of Duties - Cash

*Criteria:*

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common divisions of duties is the division between the check signing and bank reconciliation functions.

*Condition:*

In the Town, two individuals reconcile the various bank accounts. These individuals also have other duties such as collecting cash, posting to the journals and making deposits. One individual has check signing authority and the other can make electronic transfers from the account. No one reviews their bank reconciliations.

*Cause:*

Unknown.

*Effect:*

The Town has inadvertently made its assets susceptible to misappropriation.

*Recommendation:*

We recommend that someone other than a check signer prepare or review in detail the reconciliations of the cash accounts monthly. This review should be documented.

*Management Response:*

The Finance Director reconciles the Town's primary checking account and initiates some ACH transactions. The monthly bank statements and work papers reconciled by the Finance Director are provided to the Treasurer and kept on file in the Treasurer's office. We will recommend that the Treasurer review the reconciliation and indicate as such on each monthly statement.

The Treasurer reconciles the other smaller checking accounts and CD's. These reconciliations could be reviewed and acknowledged by the Town Manager, Asst. Treasurer or Finance Director. We will develop a process for accomplishing this.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

2016-2 Transfer of Funds

*Criteria:*

Electronic transactions should have an approval process so that controls are not inadvertently overridden. Electronic transfers from bank accounts should be approved and documented like paper checks.

*Condition:*

Transfers can be made electronically from the Town's checking account by the same individual who reconciles the account and posts transactions. The bank requires two individuals to authorize the transaction but the individual making the transfer has access to the second authorizer's code and, thus, can override this control. There is no documentation authorizing the transfers.

*Cause:*

Unknown.

*Effect:*

The Town has inadvertently made its assets susceptible to misappropriation.

*Recommendation:*

We recommend that all electronic transfers be documented as to purpose, account and amount and approved by someone other than the transferor. This documentation should be kept with the bank reconciliation so that the individual reviewing the reconciliation can see that all transfers were approved.

*Management Response:*

Currently, the Treasurer, Assistant Treasurer and Finance Director are authorized to enter and release (for processing by the bank) electronic transactions. Each has their own username/password login that is not shared with or used by anyone else. Under the Town's current banking software, electronic transactions cannot be both entered and released by the same user. In other words, two users are needed to complete an electronic transaction. Our current practice, which has been in place since last year is to have both the person who enters the transaction and the person who releases it indicate which portion of the transaction they performed (i.e. enter or release) and initial the hard copy of the bank software showing the transaction. The hard copy with this information detailing the transaction is filed in the Town Clerk's office.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

There have been occurrences when two people are not available to enter and release an electronic transaction. In these cases, a fourth username/password and token is used to enter and release the transaction. The person doing this provides a hard copy documenting the transaction to the Treasurer or Asst. treasurer, which will be acknowledged. This documentation is kept in the Town Clerk's office.

Warrant reports for all payroll and payable batches are reviewed and signed by the Treasurer or Asst. Treasurer and a Selectboard member. Documentation of ACH payments are included on these Warrant Reports.

Significant Deficiencies:

2016-3 Reconciliation of Rec Track Revenues

*Criteria:*

Departments outside the central accounting function should be monitored to ensure cash they collect is deposited and all transactions are recorded.

*Condition:*

The Recreation Department collects fees for programs and records the status of participants in the Rec Track program. Cash collected and revenue for the various programs is not reconciled with the general ledger.

*Cause:*

Unknown.

*Effect:*

The Town has inadvertently made its assets susceptible to misappropriation.

*Recommendation:*

We recommend that at least quarterly, the cash collected and revenues recorded in the Rec Track program be reconciled with the general ledger. This review should be documented.

*Management Response:*

All cash and check payments the Recreation Department receives are turned over to the Town Clerk's office, entered into the NEMRC Cash Receipts Module by account code (e.g. Soccer, Ski program, baseball etc.), and post automatically to the corresponding general ledger account. Each receipt processed in NEMRC is classified as checks or cash. Periodically, we will run payment reports in the NEMRC module by program broken down by checks and cash. This information will be reconciled with the RecTrac reports that show the payment history for the same period.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

2016-4 Review and Approval of Journal Entries

*Criteria:*

Internal controls should be in place that require appropriate individuals to approve adjustments to the books of original entry.

*Condition:*

Internal controls over recording of journal entries are inadequately designed. Journal entries prepared by the Finance Director are not reviewed by another individual.

*Cause:*

Unknown.

*Effect:*

Other internal control policies could be circumvented.

*Recommendation:*

We recommend that Journal entries prepared by the Finance Director be approved by an appropriate individual such as the Town Manager.

*Management Response:*

Previously, journal entries prepared by the Finance Director were filed in the monthly folders in the Network Administrator/Financial Asst. office. Copies of non-routine entries were kept by the Finance Director in a binder. The Network Administrator/Financial Asst. has since retired. Effective immediately, all journal entries with backup prepared by the Finance Director will be kept in a binder and reviewed by and initialed by the Town Manager, Town Treasurer or Asst. Treasurer.