

TOWN OF SHELBURNE, VERMONT

AUDIT REPORT

JUNE 30, 2017

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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, 2017, 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, 2017, 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.

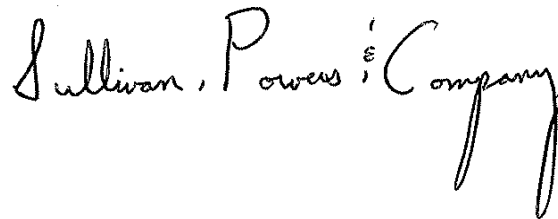
Other Information

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 20, 2018 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 20, 2018
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

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, 2017. This report should be read in conjunction with the Town's financial statements.

Financial Highlights

- The Town's combined net position increased by \$631,235 as a result of this year's operations. Net position of our business-type activities increased by \$430,233 and net position of our governmental activities increased by \$201,002.
- In the Town's business-type activities, revenues and capital contributions were \$3,174,353 while expenses were \$2,623,850. Net position at June 30, 2017 totaled \$10,982,976.
- The cost of all of the Town's programs was \$10,670,356 this year, with no new programs added.
- The General Fund reported a surplus on a budgetary basis this year of \$49,348 which was \$49,348 better than budgeted.
- The unassigned fund balance in the General Fund at June 30, 2017 was \$557,569. This amount is available for future year budgets.
- The Non-major Funds reported a deficit of \$177,439 this year which decreased the cumulative surplus to \$1,350,420.

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, 2017
(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 department 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 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, 2017
(Continued)

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

The Town's combined net position increased by \$631,235 from 2016, increasing from a balance of \$21,928,166 to \$22,559,401. Our analysis 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	Governmental	Business-type	Business-type	Total	Total
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
Current and Other Assets	\$ 3,626,169	\$ 3,352,266	\$ 1,711,457	\$ 1,516,037	\$ 5,337,626	\$ 4,868,303
Capital Assets	<u>12,572,271</u>	<u>12,671,731</u>	<u>14,574,762</u>	<u>14,557,935</u>	<u>27,147,033</u>	<u>27,229,666</u>
Total Assets	<u>16,198,440</u>	<u>16,023,997</u>	<u>16,286,219</u>	<u>16,073,972</u>	<u>32,484,659</u>	<u>32,097,969</u>
Deferred Outflows of Resources	<u>532,734</u>	<u>298,930</u>	<u>71,870</u>	<u>42,573</u>	<u>604,604</u>	<u>341,503</u>
Current Liabilities	1,041,935	1,106,545	991,367	947,153	2,033,302	2,053,698
Long-term Liabilities	<u>3,608,843</u>	<u>3,768,929</u>	<u>4,383,746</u>	<u>4,616,649</u>	<u>7,992,589</u>	<u>8,385,578</u>
Total Liabilities	<u>4,650,778</u>	<u>4,875,474</u>	<u>5,375,113</u>	<u>5,563,802</u>	<u>10,025,891</u>	<u>10,439,276</u>
Deferred Inflows of Resources	<u>503,971</u>	<u>72,030</u>	<u>0</u>	<u>0</u>	<u>503,971</u>	<u>72,030</u>
Net Investment in Capital Assets	9,359,271	9,000,531	9,594,990	9,269,045	18,954,261	18,269,576
Restricted	927,045	912,612	0	0	927,045	912,612
Unrestricted	<u>1,290,109</u>	<u>1,462,280</u>	<u>1,387,986</u>	<u>1,283,698</u>	<u>2,678,095</u>	<u>2,745,978</u>
Total Net Position	<u>\$ 11,576,425</u>	<u>\$ 11,375,423</u>	<u>\$ 10,982,976</u>	<u>\$ 10,552,743</u>	<u>\$ 22,559,401</u>	<u>\$ 21,928,166</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 \$1,290,109 at June 30, 2017 for the governmental activities.

The unrestricted net position of our business-type activities was \$1,387,986 at June 30, 2017. 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, 2017
(Continued)**

**Table 2
Change in Net Position**

	Governmental Activities FY 2017	Governmental Activities FY 2016	Business-type Activities FY 2017	Business-type Activities FY 2016	Total FY 2017	Total FY 2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,370,599	\$ 1,316,970	\$ 3,005,503	\$ 2,752,488	\$ 4,376,102	\$ 4,069,458
Operating Grants and Contributions	878,153	609,343	0	0	878,153	609,343
Capital Grants and Contributions	40,173	29,361	168,850	136,598	209,023	165,959
General Revenues:						
Property Taxes	5,672,565	5,470,605	0	0	5,672,565	5,470,605
Penalties and Interest on Delinquent Taxes	75,460	88,425	0	0	75,460	88,425
General State Grants	173,909	166,987	0	0	173,909	166,987
Unrestricted Investment Earnings	19,337	11,723	5,942	6,945	25,279	18,668
Gain on Sale of Equipment	0	31,046	11,300	0	11,300	31,046
Other Revenues	24,489	42,966	108,432	320,845	132,921	363,811
Total Revenues	8,254,685	7,767,426	3,300,027	3,216,876	11,554,712	10,984,302
Expenses:						
General Government	2,270,225	2,253,398	0	0	2,270,225	2,253,398
Public Safety	3,050,309	2,948,531	0	0	3,050,309	2,948,531
Highways and Public Works	1,681,240	1,543,883	0	0	1,681,240	1,543,883
Community Development	0	0	0	0	0	0
Health and Welfare	38,000	38,000	0	0	38,000	38,000
Recreation and Parks	465,151	474,423	0	0	465,151	474,423
Library	428,674	385,732	0	0	428,674	385,732
Cemetery	50,542	0	0	0	50,542	0
Interest on Long-term Debt	62,365	171,437	0	0	62,365	171,437
Water	0	0	1,072,343	1,061,470	1,072,343	1,061,470
Sewer	0	0	1,551,507	1,510,613	1,551,507	1,510,613
Total Expenses	8,046,506	7,815,404	2,623,850	2,572,083	10,670,356	10,387,487
Special Item: Transfer of Water Tank to Champlain Water District						
	0	0	(253,121)	0	(253,121)	0
Transfers	(7,177)	(5,000)	7,177	5,000	0	0
Increase/(Decrease) in Net Position	\$ 201,002	\$ (52,978)	\$ 430,233	\$ 649,793	\$ 631,235	\$ 596,815

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 2017 Total Cost of Services	FY 2016 Total Cost of Services	FY 2017 Net Cost of Services	FY 2016 Net Cost of Services
General Government	\$ 2,270,225	\$ 2,253,398	\$ 1,758,404	\$ 1,726,851
Public Safety	3,050,309	2,948,531	1,970,231	2,049,649
Highways and Public Works	1,681,240	1,543,883	1,405,738	1,329,263
Community Development	0	0	0	0
Health and Welfare	38,000	38,000	38,000	38,000
Recreation and Parks	465,151	474,423	200,872	184,763
Library	428,674	385,732	282,429	359,767
Cemetery	50,542	0	39,542	0
Interest on Long-Term Debt	62,365	171,437	62,365	171,437
Totals	\$ 8,046,506	\$ 7,815,404	\$ 5,757,581	\$ 5,859,730

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

(Continued)

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 \$2,428,498 which represents an decrease of \$93,976 from last year's total of \$2,522,474. Included in this year's total change in fund balance is an increase of \$83,463 in the Town's General Fund balance, and a decrease of \$177,439 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:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 7,379,765	\$ 7,684,590	\$ 304,825
Transfers In	<u>359,461</u>	<u>303,708</u>	<u>(55,753)</u>
Total Revenues + Transfers In	<u>7,739,226</u>	<u>7,988,298</u>	<u>249,072</u>
Expenditures	7,580,326	7,780,116	(199,790)
Transfers out	<u>158,900</u>	<u>158,834</u>	<u>66</u>
Total Expenditures + Transfers Out	<u>7,739,226</u>	<u>7,938,950</u>	<u>(199,724)</u>
Difference	\$ <u>0</u>	\$ <u>49,348</u>	\$ <u>49,348</u>

The actual results show Revenues & Transfers In exceeded Expenditures & Transfers Out by \$49,348, which was a positive variance of \$49,348.

Significant Budget vs Actual Variances

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
General Fund Revenues			
Property Taxes & Late Fees	\$ 5,729,487	\$ 5,696,178	\$ (33,309)
Transfer From Records Preserv. Fund	68,000	22,385	(45,615)
Police Department	447,830	787,389	339,559
Planning & Zoning Grants	50,000	6,161	(43,839)
Transfer From Ambulance Fund	240,751	264,877	24,126
All Other	<u>1,203,158</u>	<u>1,211,308</u>	<u>8,150</u>
Total	<u>7,739,226</u>	<u>7,988,298</u>	<u>249,072</u>
General Fund Expenditures			
Legal Services	\$ 32,000	\$ 257,283	\$ (225,283)
Town Manager Office	195,435	212,811	(17,376)
Administration- Municipal Offices	99,095	88,131	10,964
Town Clerk/Treasurer	205,474	223,885	(18,411)
Records Automation	50,000	15,667	34,333
Planning/Zoning	315,198	264,540	50,658
Assessor's Office	100,531	78,536	21,995
Buildings/Grnds. Expenditures	403,530	488,050	(84,520)
Police Department	1,618,859	1,758,184	(139,325)
Fire Department	203,501	186,310	17,191
Public Safety Dispatch	633,709	656,183	(22,474)
Highway Dept.	1,237,332	1,090,085	147,247
Shelburne Rescue	237,598	274,169	(36,571)
Library	376,149	390,019	(13,870)
Employee Benefits	120,950	60,212	60,738
All Other	<u>1,909,865</u>	<u>1,894,885</u>	<u>14,980</u>
Total	<u>7,739,226</u>	<u>7,938,950</u>	<u>(199,724)</u>
Revenues - Expenditures	\$ <u>0</u>	\$ <u>49,348</u>	\$ <u>49,348</u>

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)

General Fund Revenue Variances

Total Property Taxes & Late fees were less than budget from two Board of Civil Authority decisions and an accounting adjustment for deferred revenue. Transfer from the Records Preservation Fund was less than budget by \$45,615 based on the actual work completed. Police Dept. revenues were greater than budget due to increased grant funded traffic enforcement details. Planning & Zoning Grant revenue was less than budget based on actual grants received. The transfer from the Ambulance Fund was greater than budget as a result of Crew chief positions being filled by per diems instead of volunteers.

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 appeal cases heard by the Development Review Board. Town Manager office expense was greater than budget due to a revised employment contract and filling the full time Director of Administration position. Administrative Expense was less than budget due to postponing computer and equipment replacements to help offset the higher legal costs. Town Clerk office expense was greater than budget from a retirement benefit paid and transitioning to a structure with the Town Clerk and Town Treasurer becoming separate positions. Records automation expense was less than budget based on the work completed. Planning/Zoning office expense was less than budget as a result of fewer grant funded projects. Assessing office expense was less than budget due to a vacancy in the Administrative Asst. position. Building/grounds expense was greater than budget from the capital projects completed. Police Dept. expenses were greater than budget from the grant funded enforcement details described in the revenue section combined with staff vacancies requiring overtime to cover shifts. Fire Dept. expenditures were less than budget, caused by deferral of a capital project to the following year, to partially offset the higher legal expenses. Public Safety Dispatch expenditures were greater than budget due to staff vacancies, which required overtime to fill shifts. Highway expenditures were less than budget from the delay in a sidewalk construction project, and postponement of other highway projects to offset the increased legal expenses described above. Shelburne Rescue expenditures were greater than budget from hiring per diems to fill crew chief shift positions. This additional cost was offset by Transport revenues. Library expenditures were greater than budget from salaries, utility and building expenses. Benefit costs were less than budget due to lower employee health reimbursement payments.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)

Water and Sewer Fund Operating Budget Variations

The Water and Sewer budget vs actual results, prepared for rate setting purposes (non GAAP) for the year ended June 30, 2017 are shown in Schedules 12 & 13.

WATER FUND (see Schedule 12)	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues	\$ 1,128,407	\$ 1,170,715	\$ 42,308
Expenses	<u>1,128,407</u>	<u>1,076,323</u>	<u>52,084</u>
Net Income (Loss)	<u>\$ 0</u>	<u>\$ 94,392</u>	<u>\$ 94,392</u>

SEWER FUND (see Schedule 13)	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues	\$ 1,855,659	\$ 1,962,417	\$ 106,758
Expenses	<u>1,855,659</u>	<u>1,820,126</u>	<u>35,533</u>
Net Income (Loss)	<u>\$ 0</u>	<u>\$ 142,291</u>	<u>\$ 142,291</u>

Water Fund

On a budgetary (non GAAP) basis, the Water Fund operating budget ended the year with a surplus of \$94,392, which was better than budget by \$94,392. Revenues exceeded budget by \$42,308. Revenues from water sales exceeded budget by \$76,259. Purchased water cost was greater than budget by \$13,197. Engineering costs were greater than budget by \$11,846 due a capacity analysis for a section of water line and monitoring a line replacement project. Outside contractor costs were less than budget by \$18,802 due to fewer line breaks and repairs. Line maintenance cost was less than budget by \$22,476 due to a planned maintenance project not being needed. Health insurance costs were less than budget by \$15,278 as a result of fewer deductible reimbursements. Debt payments were less than budget by \$16,719 due to timing of loan payments and not initiating an internal loan that was planned. A \$10,000 transfer to the capital fund was not done in order to increase the fund balance, which had decreased to below the recommended level in the prior year.

Sewer Fund

On a budgetary (non GAAP) basis, the Sewer Fund operating budget ended the year with a surplus of \$142,291, which was better than budget by \$142,291. Revenues were greater than budget by \$106,758 and expenses were less than budget by \$35,533. Revenues exceeded budget as a result of increased sewer and septage hauler sales and an accounting accrual for unbilled sales. Expenses were less than budget for plant maintenance, project engineering and debt payments were less than budget by \$22,589 as a result of a loan amortization adjustment. Collection system expense exceeded budget from capital projects that were completed. A vehicle replacement cost exceeded budget as it was paid from the operating budget instead of being financed, given the other positive budget variances.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the Town had \$27,147,033 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 \$82,633 from last year.

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

	Governmental Activities		Business-type Activities		Totals	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Land	\$ 1,430,571	\$ 1,280,571	\$ 11,000	\$ 11,000	\$ 1,441,571	\$ 1,291,571
Construction in Progress	164,240	110,763	114,760	90,837	279,000	201,600
Buildings and Improvements	3,296,192	3,602,380	503,321	537,232	3,799,513	4,139,612
Vehicles and Equipment	2,071,229	2,012,074	415,452	316,549	2,486,681	2,328,623
Infrastructure	5,347,648	5,411,700	0	0	5,347,648	5,411,700
Water and Sewer Systems	0	0	13,530,229	13,602,317	13,530,229	13,602,317
Library	262,391	254,243	0	0	262,391	254,243
	<u>\$ 12,572,271</u>	<u>\$ 12,671,731</u>	<u>\$ 14,574,762</u>	<u>\$ 14,557,935</u>	<u>\$ 27,147,033</u>	<u>\$ 27,229,666</u>

Debt Administration

At June 30, 2017, the Town had \$8,192,772 in bonds and notes payable outstanding versus \$8,960,090 on June 30, 2016 – a decrease of \$767,318 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Bonds and Notes Payable	<u>\$ 3,213,000</u>	<u>\$ 3,671,200</u>	<u>\$ 4,979,772</u>	<u>\$ 5,288,890</u>	<u>\$ 8,192,772</u>	<u>\$ 8,960,090</u>

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(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 2018 budget, tax rates, and fees. One of those factors was the economy and unemployment in the region. Shelburne's unemployment rate was 2.0% in June 2017, compared to 2.2 % in June 2016. These rates remained below the state unemployment rate, which was 3.1% in June 2017 and 3.4% in June 2016. When adopting the budget for the 2017-2018 fiscal 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 2017 common level of appraisal was 95.8%. 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 137 permits issued in 2017 compared to 139 in the prior year. The Town grand list contains a mix of residential, commercial and industrial properties. The total assessed value of all taxable properties in Shelburne was \$1.52 billion in July 2017, which was an increase of 0.9% from 2016. 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 2.4% in the sewer user fee effective July 1, 2017. This increase was mainly due to increased operating expenses experienced with aging equipment. A \$3.0 million bond issue was passed in November 2016 to fund necessary equipment replacements. Collection system improvements funded by the bond will take place in 2018.

The water user fee increased by 6.6% effective July 1, 2017. 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 passes 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 to the Town of the necessary measures for this watershed is \$4,000,000. The town is currently working to create a stormwater utility that will start in July 2019 in order to meet the regulatory and financial requirements.

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 Town Manager or Finance Director, Town of Shelburne, 5420 Shelburne Road, P.O. Box 88, Shelburne, VT 05482. 802-985-5110.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,291,754	\$ 208,053	\$ 1,499,807
Investments	1,302,403	637,875	1,940,278
Receivables (Net of Allowance for Uncollectibles)	1,089,029	743,419	1,832,448
Internal Balances	(112,518)	112,518	0
Prepaid Expenses	55,501	7,092	62,593
Inventory	0	2,500	2,500
Capital Assets:			
Land	1,430,571	11,000	1,441,571
Construction in Progress	164,240	114,760	279,000
Other Capital Assets, (Net of Accumulated Depreciation)	10,977,460	14,449,002	25,426,462
 Total Assets	 <u>16,198,440</u>	 <u>16,286,219</u>	 <u>32,484,659</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>532,734</u>	<u>71,870</u>	<u>604,604</u>
 Total Deferred Outflows of Resources	 <u>532,734</u>	 <u>71,870</u>	 <u>604,604</u>
<u>LIABILITIES</u>			
Accounts Payable	272,329	176,726	449,055
Accrued Payroll and Benefits Payable	79,984	11,917	91,901
Accrued Interest Payable	23,374	27,905	51,279
Unearned Revenue	33,248	14,511	47,759
Noncurrent Liabilities:			
Due Within One Year	633,000	760,308	1,393,308
Due in More than One Year	3,608,843	4,383,746	7,992,589
 Total Liabilities	 <u>4,650,778</u>	 <u>5,375,113</u>	 <u>10,025,891</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	83,971	0	83,971
Special Assessment	420,000	0	420,000
 Total Deferred Inflows of Resources	 <u>503,971</u>	 <u>0</u>	 <u>503,971</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	9,359,271	9,594,990	18,954,261
Restricted:			
Recreation	176,315	0	176,315
Cemetery	251,488	0	251,488
Highway Equipment	203,018	0	203,018
Records Preservation	119,854	0	119,854
Library	125,567	0	125,567
Other	50,803	0	50,803
Unrestricted	<u>1,290,109</u>	<u>1,387,986</u>	<u>2,678,095</u>
 Total Net Position	 <u>\$ 11,576,425</u>	 <u>\$ 10,982,976</u>	 <u>\$ 22,559,401</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, 2017

	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	\$ 2,270,225	\$ 483,729	\$ 28,092	\$ 0	\$ (1,758,404)	\$ 0	\$ (1,758,404)
Public Safety	3,050,309	613,235	466,843	0	(1,970,231)	0	(1,970,231)
Highways and Public Works	1,681,240	17,337	258,165	0	(1,405,738)	0	(1,405,738)
Health and Welfare	38,000	0	0	0	(38,000)	0	(38,000)
Recreation and Parks	465,151	242,080	22,199	0	(200,872)	0	(200,872)
Library	428,674	8,718	97,354	40,173	(282,429)	0	(282,429)
Cemetery	50,542	5,500	5,500	0	(39,542)	0	(39,542)
Interest on Long-term Debt	62,365	0	0	0	(62,365)	0	(62,365)
Total Governmental Activities	8,046,506	1,370,599	878,153	40,173	(5,757,581)	0	(5,757,581)
Business-Type Activities:							
Water	1,072,343	1,074,286	0	0	0	1,943	1,943
Sewer	1,551,507	1,931,217	0	168,850	0	548,560	548,560
Total Business-Type Activities	2,623,850	3,005,503	0	168,850	0	550,503	550,503
Total Primary Government	\$ 10,670,356	\$ 4,376,102	\$ 878,153	\$ 209,023	(5,757,581)	550,503	(5,207,078)
General Revenues:							
Property Taxes					5,672,565	0	5,672,565
Penalties and Interest on Delinquent Taxes					75,460	0	75,460
General State Grants					173,909	0	173,909
Unrestricted Investment Earnings					19,337	5,942	25,279
Other Revenues					24,489	108,432	132,921
Gain on Sale of Capital Assets					0	11,300	11,300
Transfers					(7,177)	7,177	0
Special Item:							
Transfer of Water Tank to Champlain Water District					0	(253,121)	(253,121)
Total General Revenues, Transfers and Special Item					5,958,583	(120,270)	5,838,313
Change in Net Position					201,002	430,233	631,235
Net Position - July 1, 2016					11,375,423	10,552,743	21,928,166
Net Position - June 30, 2017					\$ 11,576,425	\$ 10,982,976	\$ 22,559,401

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

TOWN OF SHELBURNE, VERMONT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 1,175,406	\$ 116,348	\$ 1,291,754
Investments	884,998	417,405	1,302,403
Receivables (Net of Allowance for Uncollectibles)	1,089,029	0	1,089,029
Due from Other Funds	0	952,120	952,120
Prepaid Expenses	<u>55,501</u>	<u>0</u>	<u>55,501</u>
Total Assets	<u>\$ 3,204,934</u>	<u>\$ 1,485,873</u>	<u>\$ 4,690,807</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 259,504	\$ 12,825	\$ 272,329
Accrued Payroll and Benefits Payable	79,984	0	79,984
Due to Other Funds	942,010	122,628	1,064,638
Unearned Revenue	<u>33,248</u>	<u>0</u>	<u>33,248</u>
Total Liabilities	<u>1,314,746</u>	<u>135,453</u>	<u>1,450,199</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	83,971	0	83,971
Unavailable Property Taxes, Penalties and Interest	221,206	0	221,206
Unavailable Other Receivables	86,933	0	86,933
Special Assessment	<u>420,000</u>	<u>0</u>	<u>420,000</u>
Total Deferred Inflows of Resources	<u>812,110</u>	<u>0</u>	<u>812,110</u>
<u>FUND BALANCES</u>			
Nonspendable	55,501	0	55,501
Restricted	0	927,045	927,045
Committed	465,008	257,630	722,638
Assigned	0	206,935	206,935
Unassigned	<u>557,569</u>	<u>(41,190)</u>	<u>516,379</u>
Total Fund Balances	<u>1,078,078</u>	<u>1,350,420</u>	2,428,498
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,204,934</u>	<u>\$ 1,485,873</u>	
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.			12,572,271
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			308,139
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.			532,734
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.			<u>(4,265,217)</u>
Net Position of Governmental Activities			<u>\$ 11,576,425</u>

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, 2017

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 5,620,718	\$ 0	\$ 5,620,718
Penalties & Interest on Delinquent Taxes	75,460	0	75,460
Intergovernmental	862,791	28,677	891,468
Charges for Services	848,040	27,049	875,089
Permits, Licenses & Fees	216,146	27,728	243,874
Rental Income	276,160	0	276,160
Investment Income	8,458	10,879	19,337
Contributions	0	172,819	172,819
Other	76,543	2,503	79,046
	<u>7,984,316</u>	<u>269,655</u>	<u>8,253,971</u>
Expenditures:			
General Government	1,988,813	115	1,988,928
Public Safety	2,797,796	8,786	2,806,582
Cemetery	49,992	550	50,542
Highways and Public Works	1,405,174	5	1,405,179
Health and Welfare	38,000	0	38,000
Recreation and Parks	341,936	31,105	373,041
Library	341,873	36,052	377,925
Capital Outlay:			
Public Safety	42,050	139,316	181,366
Highways and Public Works	176,545	179,369	355,914
Recreation and Parks	0	150,000	150,000
Library	48,146	42,948	91,094
Debt Service:			
Principal	481,200	150,000	631,200
Interest	62,148	1,851	63,999
	<u>7,773,673</u>	<u>740,097</u>	<u>8,513,770</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>210,643</u>	<u>(470,442)</u>	<u>(259,799)</u>
Other Financing Sources/(Uses):			
Proceeds from Long-Term Debt	0	173,000	173,000
Transfers In	38,831	160,264	199,095
Transfers Out	(166,011)	(40,261)	(206,272)
	<u>(127,180)</u>	<u>293,003</u>	<u>165,823</u>
Net Change in Fund Balances	83,463	(177,439)	(93,976)
Fund Balances - July 1, 2016	<u>994,615</u>	<u>1,527,859</u>	<u>2,522,474</u>
Fund Balances - June 30, 2017	<u>\$ 1,078,078</u>	<u>\$ 1,350,420</u>	<u>\$ 2,428,498</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, 2017

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)	\$	(93,976)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$778,374) is allocated over their estimated useful lives and reported as depreciation expense (\$874,586). This is the amount by which capital outlays exceeded depreciation in the current period.		(96,212)
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.		(3,248)
The issuance of long-term debt (\$173,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$631,200) 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.		458,200
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		714
Governmental Funds report pension contributions as expenditures (\$108,836). However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions (\$224,544) is reported as pension expense. This amount is due to the net effect of the differences in the treatment of pension expense.		(115,708)
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>51,232</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>201,002</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, 2017

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current Assets:			
Cash	\$ 152,968	\$ 55,085	\$ 208,053
Investments	503,681	134,194	637,875
Receivables (Net of Allowance for Uncollectibles)	256,954	486,465	743,419
Due from Other Funds	0	886,358	886,358
Prepaid Expenses	2,661	4,431	7,092
Inventory	<u>2,500</u>	<u>0</u>	<u>2,500</u>
Total Current Assets	<u>918,764</u>	<u>1,566,533</u>	<u>2,485,297</u>
Noncurrent Assets:			
Land	0	11,000	11,000
Construction in Progress	0	114,760	114,760
Buildings and Building Improvements	41,989	1,677,024	1,719,013
Vehicles, Machinery and Equipment	129,457	508,999	638,456
Distribution/Collection Systems	4,986,985	16,996,969	21,983,954
Less: Accumulated Depreciation	<u>(1,881,455)</u>	<u>(8,010,966)</u>	<u>(9,892,421)</u>
Total Noncurrent Assets	<u>3,276,976</u>	<u>11,297,786</u>	<u>14,574,762</u>
Total Assets	<u>4,195,740</u>	<u>12,864,319</u>	<u>17,060,059</u>
Deferred Outflows of Resources:			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>17,635</u>	<u>54,235</u>	<u>71,870</u>
Total Deferred Outflows of Resources	<u>17,635</u>	<u>54,235</u>	<u>71,870</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	100,267	76,459	176,726
Accrued Payroll	4,540	7,377	11,917
Accrued Interest Payable	6,788	21,117	27,905
Unearned Revenue	10,622	3,889	14,511
Due to Other Funds	773,840	0	773,840
Bonds and Notes Payable - Current Portion	<u>85,000</u>	<u>686,834</u>	<u>771,834</u>
Total Current Liabilities	<u>981,057</u>	<u>795,676</u>	<u>1,776,733</u>
Noncurrent Liabilities:			
Compensated Absences Payable	34,050	18,551	52,601
Net Pension Liability	26,843	84,838	111,681
Bonds and Notes Payable - Noncurrent Portion	<u>945,000</u>	<u>3,262,938</u>	<u>4,207,938</u>
Total Noncurrent Liabilities	<u>1,005,893</u>	<u>3,366,327</u>	<u>4,372,220</u>
Total Liabilities	<u>1,986,950</u>	<u>4,162,003</u>	<u>6,148,953</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,246,976	7,348,014	9,594,990
Unrestricted / (Deficit)	<u>(20,551)</u>	<u>1,408,537</u>	<u>1,387,986</u>
Total Net Position	<u>\$ 2,226,425</u>	<u>\$ 8,756,551</u>	<u>\$ 10,982,976</u>

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, 2017

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 1,044,954	\$ 1,910,252	\$ 2,955,206
Penalties & Interest	9,267	20,965	30,232
Painting & Repair Reimbursement from Champlain Water District	59,000	0	59,000
Meter Reading Reimbursement from Sewer Fund	20,065	0	20,065
Miscellaneous	5,174	15,978	21,152
	<u>1,138,460</u>	<u>1,947,195</u>	<u>3,085,655</u>
Total Operating Revenues			
Operating Expenses:			
Salaries and Wages	194,519	310,754	505,273
Administrative Charges	44,659	44,659	89,318
Meter Reading Charges	0	20,065	20,065
Benefits	76,569	118,346	194,915
Insurance	17,098	41,350	58,448
Professional Services	8,224	23,323	31,547
Communications	2,484	7,890	10,374
Utilities	0	202,482	202,482
Sludge Removal	0	70,616	70,616
Water Supply & Engineering	386,828	0	386,828
Maintenance	193,359	132,977	326,336
Chemicals	0	48,394	48,394
Depreciation	102,349	435,345	537,694
Other Operating Expenses	16,356	63,358	79,714
	<u>1,042,445</u>	<u>1,519,559</u>	<u>2,562,004</u>
Total Operating Expenses			
Operating Income	<u>96,015</u>	<u>427,636</u>	<u>523,651</u>
Non-Operating Revenues/(Expenses):			
Water Tank Revenue	28,280	0	28,280
Gain on Sale of Capital Assets	0	11,300	11,300
Investment Income	3,975	1,967	5,942
Interest Expense	(29,898)	(31,948)	(61,846)
	<u>2,357</u>	<u>(18,681)</u>	<u>(16,324)</u>
Total Non-Operating Revenues/(Expenses)			
Income Before Capital Contributions, Transfers and Special Items:	98,372	408,955	507,327
Transfers In	0	7,177	7,177
Capital Contributions - Connection Fees	0	168,850	168,850
Special Item: Transfer of Water Tank to Champlain Water District	(253,121)	0	(253,121)
Change in Net Position	(154,749)	584,982	430,233
Net Position - July 1, 2016	<u>2,381,174</u>	<u>8,171,569</u>	<u>10,552,743</u>
Net Position - June 30, 2017	<u>\$ 2,226,425</u>	<u>\$ 8,756,551</u>	<u>\$ 10,982,976</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, 2017

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,062,648	\$ 1,871,098	\$ 2,933,746
Other Receipts	64,174	15,978	80,152
Payments for Goods and Services	(584,776)	(572,471)	(1,157,247)
Payments for Interfund Services	(268,299)	(413,151)	(681,450)
Payments for Wages and Benefits	(44,659)	(64,724)	(109,383)
Net Cash Provided by Operating Activities	<u>229,088</u>	<u>836,730</u>	<u>1,065,818</u>
Cash Flows From Noncapital Financing Activities:			
Water Tank Rental Revenue	28,280	0	28,280
Transfers from Other Funds	0	7,177	7,177
Decrease/(Increase) in Due from Other Funds	(72,477)	(232,533)	(305,010)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(44,197)</u>	<u>(225,356)</u>	<u>(269,553)</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds of Long-Term Debt	360,000	0	360,000
Proceeds from Sale of Fixed Assets	5,000	13,800	18,800
Capital Contributions-Connection Fees	0	168,850	168,850
Acquisition and Construction of Capital Assets	(540,591)	(274,551)	(815,142)
Principal Paid on:			
General Obligation Bonds	(85,000)	(584,118)	(669,118)
Interest Paid on:			
General Obligation Bonds	(28,013)	(19,354)	(47,367)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(288,604)</u>	<u>(695,373)</u>	<u>(983,977)</u>
Cash Flows from Investing Activities:			
Net Change in Certificates of Deposit	104,563	64,474	169,037
Receipt of Interest	3,975	1,967	5,942
Net Cash Provided by Investing Activities	<u>108,538</u>	<u>66,441</u>	<u>174,979</u>
Net Increase/(Decrease) in Cash	4,825	(17,558)	(12,733)
Cash - July 1, 2016	<u>148,143</u>	<u>72,643</u>	<u>220,786</u>
Cash - June 30, 2017	<u>\$ 152,968</u>	<u>\$ 55,085</u>	<u>\$ 208,053</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income	\$ 96,015	\$ 427,636	\$ 523,651
Depreciation	102,349	435,345	537,694
(Increase)/Decrease in Receivables	(12,942)	(52,146)	(65,088)
Increase/(Decrease) in Accounts Payable	42,234	22,350	64,584
(Increase)/Decrease in Prepaid Expenses	(2,661)	(4,431)	(7,092)
Increase/(Decrease) in Pension Liabilities	9,497	34,070	43,567
(Increase)/Decrease in Deferred Outflows of Resources	(6,982)	(22,315)	(29,297)
Increase/(Decrease) in Accrued Payroll	274	4,194	4,468
Increase/(Decrease) in Unearned Revenue	1,304	(7,973)	(6,669)
Net Cash Provided by Operating Activities	<u>\$ 229,088</u>	<u>\$ 836,730</u>	<u>\$ 1,065,818</u>

Non-Cash Capital and Related Financing Activities:

In the Water Fund, a water tank was donated to the Champlain Water District with a cost of \$370,589 and accumulated depreciation of \$117,468.

In the Water Fund, a truck was sold to the Highway Department for the salvage value of \$5,000 with a cost of \$28,325 and accumulated depreciation of \$23,325.

In the Sewer Fund, equipment was sold for \$13,800 with a cost of \$44,175 and accumulated depreciation of \$41,675.

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

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. 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 acquisition 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.

TOWN OF SHELBURNE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, expenditures in the General Fund exceeded appropriations by \$199,724. These over expenditures were funded by excess revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2017 consisted of the following:

Cash:

Deposits with Financial Institutions	<u>\$1,499,807</u>
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Investments:

Certificates of Deposit	1,665,817
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Common Stock	93,001
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Mutual Funds	<u>181,460</u>
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Total Investments	<u>1,940,278</u>
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Total Cash and Investments	<u>\$3,440,085</u>
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The Town has twelve (12) certificates of deposit at various banks with interest rates ranging from .4% to 1.49%. The certificates of deposit mature in the following fiscal years:

2018	\$1,129,789
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2019	<u>536,028</u>
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	<u>\$1,665,817</u>
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TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

	Book <u>Balance</u>	Bank <u>Balance</u>
FDIC Insured	\$ 1,352,386	\$1,352,386
Uninsured, Collateralized by U.S. Government Securities Held by the Bank, In the Bank's Name for the Benefit of the Town	1,390,184	1,574,186
Uninsured, Collateralized by Mortgage Loans Held in the Bank's Name	<u>423,054</u>	<u>388,056</u>
Total	<u>\$ 3,165,624</u>	<u>\$3,314,628</u>

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	\$1,499,807
Investments – Certificates of Deposit	<u>1,665,817</u>
Total	<u>\$3,165,624</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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

B. Receivables

Receivables as of June 30, 2017, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 209,173	\$ 0	\$ 209,173
Penalties and Interest	55,194	0	55,194
Billed Services	102,692	84,930	187,622
Unbilled Services	0	635,660	635,660
Grants	222,803	0	222,803
Special Assessment - Beaver Creek Infrastructure	420,000	0	420,000
Miscellaneous	79,167	32,829	111,996
Allowance for Doubtful Accounts - Sewer	0	(10,000)	(10,000)
	<u>\$ 1,089,029</u>	<u>\$ 743,419</u>	<u>\$ 1,832,448</u>

C. Loans Receivable

Loans receivable as of June 30, 2017 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, 2017	<u>\$ 0</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,280,571	\$ 150,000	\$ 0	\$ 1,430,571
Construction in Progress	<u>110,763</u>	<u>62,686</u>	<u>9,209</u>	<u>164,240</u>
Total Capital Assets, Not Being Depreciated	<u>1,391,334</u>	<u>212,686</u>	<u>9,209</u>	<u>1,594,811</u>
Capital Assets, Being Depreciated:				
Buildings and Land Improvements	9,581,695	9,209	0	9,590,904
Vehicles and Equipment	4,801,385	482,121	62,607	5,220,899
Infrastructure	6,505,152	35,422	0	6,540,574
Library Collection	<u>443,375</u>	<u>48,146</u>	<u>74,152</u>	<u>417,369</u>
Totals	<u>21,331,607</u>	<u>574,898</u>	<u>136,759</u>	<u>21,769,746</u>
Less Accumulated Depreciation for:				
Buildings and Land Improvements	5,979,315	315,397	0	6,294,712
Vehicles and Equipment	2,789,311	360,359	0	3,149,670
Infrastructure	1,093,452	158,832	59,358	1,192,926
Library Collection	<u>189,132</u>	<u>39,998</u>	<u>74,152</u>	<u>154,978</u>
Totals	<u>10,051,210</u>	<u>874,586</u>	<u>133,510</u>	<u>10,792,286</u>
Total Capital Assets, Being Depreciated	<u>11,280,397</u>	<u>(299,688)</u>	<u>3,249</u>	<u>10,977,460</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,671,731</u>	<u>\$ (87,002)</u>	<u>\$ 12,458</u>	<u>\$ 12,572,271</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,000	\$ 0	\$ 0	\$ 11,000
Construction in Progress	<u>90,837</u>	<u>101,446</u>	<u>77,523</u>	<u>114,760</u>
Total Capital Assets, Not Being Depreciated	<u>101,837</u>	<u>101,446</u>	<u>77,523</u>	<u>125,760</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,719,013	0	0	1,719,013
Vehicles, Machinery and Equipment	557,633	153,323	72,500	638,456
Distribution and Collection Systems	<u>21,716,647</u>	<u>637,896</u>	<u>370,589</u>	<u>21,983,954</u>
Totals	<u>23,993,293</u>	<u>791,219</u>	<u>443,089</u>	<u>24,341,423</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	1,181,781	33,911	0	1,215,692
Vehicles, Machinery and Equipment	241,084	46,920	65,000	223,004
Distribution and Collection Systems	<u>8,114,330</u>	<u>456,863</u>	<u>117,468</u>	<u>8,453,725</u>
Totals	<u>9,537,195</u>	<u>537,694</u>	<u>182,468</u>	<u>9,892,421</u>
Total Capital Assets, Being Depreciated	<u>14,456,098</u>	<u>253,525</u>	<u>260,621</u>	<u>14,449,002</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,557,935</u>	<u>\$ 354,971</u>	<u>\$ 338,144</u>	<u>\$ 14,574,762</u>

TOWN OF SHELBURNE, VERMONT
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Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 211,939	Water	\$ 102,349
Public Safety	243,727	Sewer	<u>435,345</u>
Highways and Public Works	276,061		
Recreation and Parks	92,110		
Library	<u>50,749</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 874,586</u>	Total Depreciation Expense - Business-Type Activities	<u>\$ 537,694</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 942,010
Non-Major Governmental Funds	952,120	122,628
Water Fund	0	773,840
Sewer Fund	<u>886,358</u>	<u>0</u>
Total	<u>\$ 1,838,478</u>	<u>\$ 1,838,478</u>

Interfund transfers during the year ended June 30, 2017 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Dog Park Fund	\$ 734	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	Special Revenue Miscellaneous Fund	3,600	Annual Appropriation
General Fund	Open Land Trust Fund	30,000	Annual Appropriation
General Fund	Sewer Fund	7,177	Fund Stormwater Expenses
Non-Major Funds:			
Records Preservation Fund	General Fund	22,385	Reimburse Expenditures in General Fund
Recreation (Baseball Fund)	General Fund	9,281	Reimburse Expenditures in General Fund
Recreation - Other	General Fund	1,165	Reimburse Expenditures in General Fund
Recreation Impact Fees	General Fund	6,000	Reimburse Expenditures in General Fund
Special Revenue Miscellaneous Fund	Recreation Fund	<u>1,430</u>	Fund Recreation Scholarships
Total		<u>\$ 206,272</u>	

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$16,813 from the difference between the expected and actual experience, \$131,434 from changes in assumptions, \$265,368 from the difference between the projected and actual investment earnings, \$10,283 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 \$108,836 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 \$532,734.

Deferred outflows of resources in the Business-type Activities consists of \$2,294 from the difference between the expected and actual experience, \$17,936 from changes in assumptions, \$36,212 from the difference between the projected and actual investment earnings, \$1,403 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 \$14,025 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 \$71,870.

Deferred outflows of resources in the Water Fund consists of \$551 from the difference between the expected and actual experience, \$4,311 from changes in assumptions, \$8,704 from the difference between the projected and actual investment earnings, \$337 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 \$3,732 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 \$17,635.

Deferred outflows of resources in the Sewer Fund consists of \$1,743 from the difference between the expected and actual experience, \$13,625 from changes in assumptions, \$27,508 from the difference between the projected and actual investment earnings, \$1,066 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 \$10,293 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 \$54,235.

G. Unearned Revenue

Unearned revenue in the General Fund consists of \$7,577 of rent received in advance, \$25,480 of recreation revenues received in advance and \$191 of historical society revenues received in advance.

Unearned revenue in the Water Fund consists of \$10,622 in customer fees received in advance.

Unearned revenue in the Sewer Fund consists of \$3,889 in customer fees received in advance.

This revenue will be earned in 2018 as fees are billed.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$83,971 of prepaid property taxes and \$420,000 of special assessments.

Deferred inflows of resources in the General Fund consists of \$221,206 of delinquent property taxes, penalties and interest on those taxes and \$86,933 of other receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$83,971 of prepaid property taxes and \$420,000 of special assessments. Total deferred inflows of resources in the General Fund is \$812,110.

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.

TOWN OF SHELBURNE, VERMONT
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Long-term liabilities outstanding as of June 30, 2017 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	\$ 1,175,000	\$ 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 1, 2023	140,000	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 1, 2025.	675,000	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 1, 2030.	480,000	75,000
Special assessment debt with governmental commitment, 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 1, 2030.	420,000	30,000
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.	150,000	25,000
Capital equipment (Truck) note payable to the National Bank of Middlebury, Annual principal payment of \$60,000, plus annual interest payment at 1.84%, matures January 23, 2018.	60,000	60,000
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payment of \$18,000, plus annual interest payment at 1.05%, matures September 12, 2017.	18,000	18,000
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payment of \$95,000, plus annual interest payment at 1.02%, matures August 8, 2017.	<u>95,000</u>	<u>95,000</u>
Total long-term bonds and notes payable	<u>\$ 3,213,000</u>	<u>\$ 633,000</u>

TOWN OF SHELBURNE, VERMONT
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Business-Type Activities	Total	Due in One Year
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.	\$ 2,131,594	\$ 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.	72,116	4,911
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available, \$1,719,975, non-interest bearing, annual principal payments of \$85,979.	687,829	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.	303,885	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	383,691	35,041
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.	120,414	6,963
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.	113,743	0
Capital equipment (trucks) note payable to the National Bank of Middlebury, interest at 1.40%, annual principal payment of \$6,000, matures May 22, 2018.	6,000	6,000
Capital equipment (truck) note payable to the National Bank of Middlebury, Interest at 1.80%, annual principal payment of \$130,500, matures December 19, 2017.	<u>130,500</u>	<u>130,500</u>
Total Sewer Fund long-term bond and notes payable	<u>3,949,772</u>	<u>675,308</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Business-Type Activities (Cont.)	Total	Due in One Year
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 November 1, 2023.	\$ 380,000	\$ 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 1, 2020.	20,000	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 1, 2028.	270,000	25,000
Water bond payable, to the Vermont Municipal Bond Bank, annual principal payments of between \$20,000 and \$25,000 beginning November 1, 2018 plus semi-annual interest payments at 3.08%, matures November 1, 2032.	<u>360,000</u>	<u>0</u>
Total Water Fund long-term bond and notes payable	<u>1,030,000</u>	<u>85,000</u>
Total Business-type Activities	<u>\$ 4,979,772</u>	<u>\$ 760,308</u>

Maturities of bonds and notes payable are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 633,000	\$ 46,435	\$ 679,435	\$ 760,308	\$ 57,938	\$ 818,246
2019	460,000	39,350	499,350	662,999	44,476	707,475
2020	460,000	18,334	478,334	664,221	39,629	703,850
2021	460,000	39,743	499,743	661,739	30,054	691,793
2022	405,000	38,797	443,797	665,468	33,951	699,419
2023-2027	615,000	78,082	693,082	1,327,540	76,203	1,403,743
2028-2032	180,000	16,084	196,084	217,497	17,215	234,712
2033-2037	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>357</u>	<u>20,357</u>
Total	<u>\$ 3,213,000</u>	<u>\$ 276,825</u>	<u>\$ 3,489,825</u>	<u>\$ 4,979,772</u>	<u>\$ 299,823</u>	<u>\$ 5,279,595</u>

TOWN OF SHELBURNE, VERMONT
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Changes in long-term liabilities for the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable	\$ 3,671,200	\$ 173,000	\$ 631,200	\$ 3,213,000	\$ 633,000
Compensated Absences	260,035	0	49,598	210,437	0
Net Pension Liability	<u>468,894</u>	<u>349,512</u>	<u>0</u>	<u>818,406</u>	<u>0</u>
 Total Governmental Activities Long-Term Liabilities	 \$ <u>4,400,129</u>	 \$ <u>522,512</u>	 \$ <u>680,798</u>	 \$ <u>4,241,843</u>	 \$ <u>633,000</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Bonds and Notes Payable	\$ 5,288,890	\$ 360,000	\$ 669,118	\$ 4,979,772	\$ 760,308
Compensated Absences	52,268	333	0	52,601	0
Net Pension Liability	<u>68,114</u>	<u>43,567</u>	<u>0</u>	<u>111,681</u>	<u>0</u>
 Total Business-Type Activities Long-Term Liabilities	 \$ <u>5,409,272</u>	 \$ <u>403,900</u>	 \$ <u>669,118</u>	 \$ <u>5,144,054</u>	 \$ <u>760,308</u>

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.

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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.

Major Funds

General Fund:

Prepaid Expenses	\$ <u><u>55,501</u></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 Impact Fees and Contributions (Source of Revenue is Impact Fees and Contributions)	\$ 88,310
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Fees)	119,854
Other Restrictions by Donations (Source of Revenue is Donations)	<u>33,901</u>
Total Special Revenue Funds	<u>242,065</u>

Capital Project Funds:

Restricted for Library Building by Donations	9,219
Restricted for Highway Equipment Replacement Expenditures by Statute	203,018
Restricted for Police by Grant Agreements	<u>16,902</u>
Total Capital Project Funds	<u>229,139</u>

Permanent Funds:

Restricted for Library Endowment by Trust Agreements	116,348 *
Restricted for Cemetery Fund by Trust Agreements	251,488 *
Restricted for Lillian Davis Memorial Fund by Bequest	<u>88,005 *</u>
Total Permanent Funds	<u>455,841</u>
Total Non-Major Funds	<u>927,045</u>
Total Restricted Fund Balances	\$ <u><u>927,045</u></u>

* The nonspendable portion of the Permanent Funds is unknown.

TOWN OF SHELBURNE, VERMONT
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The fund balances in the following funds are committed as follows:

Major Fund

General Fund:

Committed for Ambulance and Rescue Operations by Voters	\$ <u>465,008</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Cemetery Tractor by Voters	<u>9,327</u>
Total Special Revenue Funds	<u>9,327</u>

Capital Projects Funds:

Committed for Open Land by Voters	141,155
Committed for Bay Park by Voters	52,522
Committed for Police Equipment by Voters	<u>54,626</u>
Total Capital Project Funds	<u>248,303</u>

Total Non-Major Funds	<u>257,630</u>
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Total Committed Fund Balances	\$ <u><u>722,638</u></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>183,807</u>
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Capital Projects Funds:

Assigned for Highway Salt Shed Expenditures	<u>23,128</u>
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Total Assigned Fund Balances	\$ <u><u>206,935</u></u>
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The negative unassigned fund balance of \$7,899 in the Pinehaven Storm Water Fund will be funded with future grant revenue.

The negative unassigned fund balance of \$33,291 in the Fire Truck Fund will be funded with future bond proceeds and the sale of a vehicle.

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, 2017 consisted of the following:

Governmental Activities:

Restricted for Recreation by Grant Agreements	\$ 88,310
Restricted for Records Preservation Expenses by Statute	119,854
Restricted for Other Purposes by Donations	33,901
Restricted for Library Building by Fee Agreement	9,219
Restricted for Highway Equipment Replacement Expenditures by Statute	203,018
Restricted for Police by Grant Agreements	16,902
Restricted for Cemetery by Trust Agreements	251,488
Restricted for Library by Trust Agreements	116,348
Restricted for Recreation Projects (Lillian Davis Memorial) by Bequest	<u>88,005</u>
Total Governmental Activities	<u>\$ 927,045</u>

The designated net position of the Town's Proprietary Funds as of June 30, 2017 consisted of the following:

Sewer Fund:

Designated for Sewer Capital Projects	\$ 167,344
Designated for Future Sewer Capital Projects	<u>234,101</u>
Total Sewer Fund	<u>401,445</u>
Total Business-type Activities	<u>\$ 401,445</u>

The unrestricted deficit in the Water Fund of \$20,551 will be funded with future user fees.

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, 2017, the retirement system consisted of 441 participating employers.

TOWN OF SHELBURNE, VERMONT
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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

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net pension liability of \$128,696,167. As of June 30, 2017, the Town’s proportionate share of this was .7227% resulting in a liability of \$930,087. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town’s proportion of .7227% was an increase of .02616% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$252,845.

As of June 30, 2017, the Town reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ 19,107
Changes in proportional share of contributions	11,686
Difference between projected and actual earnings on pension plan investments	301,580
Changes in Assumptions	149,370
Town's required employer contributions made subsequent to the measurement date	122,861
	\$ 604,604

TOWN OF SHELBURNE, VERMONT
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The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$122,861 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending June 30	
2018	\$ 126,322
2019	126,322
2020	177,063
2021	<u>52,036</u>
Total	<u>\$ 481,743</u>

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.

Service Retirement Allowance:

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

Amount: Group B – 1.7% 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.

TOWN OF SHELBURNE, VERMONT
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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.

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%. Group C – 10.00%.

Employer Contributions: Group B – 5.50%. Group C – 7.25%.

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.

Salary Increases: 5% per year.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Deaths:

Groups B and C: RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB and with a 60% Blue collar and 40% White Collar adjustment.

The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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

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: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing by 5% per year.

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% 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

TOWN OF SHELBURNE, VERMONT
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 JUNE 30, 2017

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%. 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%	930,087
1% Decrease	6.95%	1,544,042
1% Increase	8.95%	416,031

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 \$1,198,082 and pension expense was \$61,403.

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 rate-setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

TOWN OF SHELBURNE, VERMONT
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 JUNE 30, 2017

The Town of Shelburne is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Insurance Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits 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. The Town has only elected unemployment coverage with the Trust.

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 a 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 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.3724	.3724
Veterans Exemption	.0007	.0007
Education	<u>1.5385</u>	<u>1.5971</u>
Total	<u>1.9116</u>	<u>1.9702</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, 2017 is \$109,667.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

F. SUBSEQUENT EVENTS

At a special meeting held November 3, 2015, Shelburne voters approved a bond issue of up to \$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. In June 2017, the Vermont State Revolving Fund issued \$131,800 in bonds less \$47,000 loan forgiveness through the Vermont Municipal Bond Bank at zero percent interest with annually principal payments of \$16,960 due 2022 through 2026. As of the year ended June 30, 2017, no funds were drawn down.

At a special meeting on March 6, 2017, Shelburne voters approved a bond issue up to \$970,000 for the purchase of a Quint Fire Truck. Subsequent to the year ended June 30, 2017, the Vermont Municipal Bond Bank issued a \$970,000 bond in August, 2017 with semi-annual interest payments from 1.78% to 3.49% and annual principal payments of \$60,000 to \$65,000 due annually 2018 through 2032.

At a special meeting held November 7, 2017, Shelburne voters approved a bond issue of up to \$6,500,000 for the purpose of public library construction, Town Hall renovations and municipal campus enhancements. As of June 30, 2017, no bonds were issued. In December, 2017, the Union Bank issued a \$1,000,000 one year note at 1.19% interest due December 20, 2018. It is anticipated funds will be spent on this project in fiscal years 2018 and 2019.

At a regular meeting held June 27, 2017, the Selectboard approved the execution of a one year note with the National Bank of Middlebury in the amount of \$115,000 to finance the replacement of Town Office and the Fire Department capital improvements. As June 30, 2017, no funds were disbursed.

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes:			
Property Taxes	\$ 5,606,446	\$ 5,562,565	\$ (43,881)
Special Assessments	49,041	49,041	0
Penalties	36,000	43,437	7,437
Late Homestead Filing	13,000	9,112	(3,888)
Interest Income	25,000	32,023	7,023
Total Property Taxes	5,729,487	5,696,178	(33,309)
Administration Revenue:			
Liquor Licenses	3,000	2,770	(230)
Animal Licenses	6,000	5,821	(179)
Animal Licenses Transfer to Dog Park Fund	(800)	(734)	66
Marriage/Civil Union Licenses	600	550	(50)
Recording Fees	50,000	41,592	(8,408)
Passport Fees and Photos	8,500	20,450	11,950
Miscellaneous	300	447	147
Copier Use	6,800	5,795	(1,005)
Vital Statistics Copies	3,800	5,130	1,330
Green Mountain Passport	175	178	3
Vehicle Registration	250	324	74
Other Fees	1,200	813	(387)
Transfer from Records Preservation Fund	68,000	22,385	(45,615)
Total Administration Revenue	147,825	105,521	(42,304)
Highway Revenue:			
Received for State Aid/Grant	290,200	276,660	(13,540)
Construction Reimbursements	0	3,548	3,548
Permits	10,100	13,595	3,495
Stormwater Grant	0	10,866	10,866
Other	0	194	194
Total Highway Revenue	300,300	304,863	4,563
Police Department Revenue:			
Judicial Fees	60,000	59,278	(722)
Special Duty Reimbursement	12,000	46,779	34,779
Public Safety Grants	22,500	311,487	288,987
Dispatch Contracts	241,330	253,843	12,513
E911 Operation Grant	90,000	90,000	0
Other	22,000	26,002	4,002
Total Police Department Revenue	447,830	787,389	339,559
Cemetery Revenue:			
Transfer from Cemetery Fund	9,000	0	(9,000)
Cemetery Other	6,200	4,100	(2,100)
Total Cemetery Revenue	15,200	4,100	(11,100)

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Planning and Zoning Revenue:			
Permits and Fees	\$ 61,075	\$ 59,403	\$ (1,672)
Grant Revenue	50,000	6,161	(43,839)
Total Planning and Zoning Revenue	<u>111,075</u>	<u>65,564</u>	<u>(45,511)</u>
Water and Sewer Revenue:			
Water Department Administration	44,659	44,659	0
Sewer Department Administration	44,659	44,659	0
Total Water and Sewer Revenue	<u>89,318</u>	<u>89,318</u>	<u>0</u>
Recreation Department Revenue:			
Sale of Beach Stickers	12,700	13,952	1,252
Fees and Recreation Programs	152,422	148,329	(4,093)
Transfer from Recreation (Baseball) Fund	16,210	9,281	(6,929)
Transfer from Bay Park Fund	5,500	0	(5,500)
Transfer from Recreation (Scholarship) Fund	0	982	982
Transfer from Recreation Fund (Other)	0	183	183
Total Recreation Department Revenue	<u>186,832</u>	<u>172,727</u>	<u>(14,105)</u>
Library Revenue:	<u>0</u>	<u>8,718</u>	<u>8,718</u>
Financial Management Investment Interest:	<u>1,000</u>	<u>1,185</u>	<u>185</u>
Rescue:			
Transfer from Ambulance Fund	<u>240,751</u>	<u>264,877</u>	<u>24,126</u>
Miscellaneous Revenue:			
Insurance Claims	0	6,085	6,085
Fire Grants, Donations and Miscellaneous	5,000	16,220	11,220
Miscellaneous	3,500	9,484	5,984
Payment in Lieu of Taxes	6,000	6,292	292
State Current Use Tax Payment	118,000	120,023	2,023
Act 60 Administration	46,000	47,594	1,594
Cellular Tower Fees	76,444	76,467	23
Transfer from Recreation Impact Fees	20,000	6,000	(14,000)
Mooring Fees	50,100	52,750	2,650
CSSU Village Center Lease	64,000	64,000	0
CSSU Building Maintenance Allocation	37,000	40,876	3,876
Use of Town Hall/Town Center	15,000	14,331	(669)
Pierson Library Building Lease	28,564	27,736	(828)
Total Miscellaneous Revenue	<u>469,608</u>	<u>487,858</u>	<u>18,250</u>
Total Revenues	<u>7,739,226</u>	<u>7,988,298</u>	<u>249,072</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Expenditures:			
Selectboard:			
Salaries	\$ 6,300	\$ 6,300	\$ 0
FICA	482	482	0
Selectboard's Expenses	8,300	7,645	655
VLCT Dues	8,808	8,808	0
Town Reports	<u>2,240</u>	<u>2,691</u>	<u>(451)</u>
Total Selectboard	<u>26,130</u>	<u>25,926</u>	<u>204</u>
Legal Services:	<u>32,000</u>	<u>257,283</u>	<u>(225,283)</u>
Administration - Municipal Offices:			
Office Supplies	6,000	5,396	604
Computer Hardware	10,135	2,020	8,115
Telephone	16,950	9,452	7,498
Computer Software	14,110	10,877	3,233
Technical Assistance	5,000	15,361	(10,361)
Training	7,000	1,314	5,686
Office Equipment and Repair	1,000	1,437	(437)
Postage	18,000	14,807	3,193
Copier Expense	6,800	8,380	(1,580)
Computer Technical Assistance	11,000	17,195	(6,195)
CSSU Data Line	<u>3,100</u>	<u>1,892</u>	<u>1,208</u>
Total Administration - Municipal Offices	<u>99,095</u>	<u>88,131</u>	<u>10,964</u>
Town Manager:			
Salaries	141,487	153,860	(12,373)
Benefits and Other Insurance	48,148	50,442	(2,294)
Manager's Expenses	2,300	4,851	(2,551)
Vehicle Expense	2,500	2,132	368
Emergency Management	<u>1,000</u>	<u>1,526</u>	<u>(526)</u>
Total Town Manager	<u>195,435</u>	<u>212,811</u>	<u>(17,376)</u>
Elections:			
Salaries	7,500	6,815	685
Election Expense	4,000	5,848	(1,848)
BCA Expenses	<u>500</u>	<u>527</u>	<u>(27)</u>
Total Elections	<u>12,000</u>	<u>13,190</u>	<u>(1,190)</u>
Finance and Insurance:			
Salaries	174,114	163,491	10,623
Benefits and Other Insurance	60,854	63,449	(2,595)
Property and Liability Insurance	277,620	286,748	(9,128)
Insurance Claims - Deductible	5,000	10,413	(5,413)
Auditing	<u>14,000</u>	<u>15,951</u>	<u>(1,951)</u>
Total Finance and Insurance	<u>531,588</u>	<u>540,052</u>	<u>(8,464)</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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Clerk/Treasurer:			
Salaries	\$ 134,584	\$ 163,685	\$ (29,101)
Benefits and Other Insurance	40,590	40,928	(338)
Town Clerk/Treasurer Expense	2,000	2,931	(931)
Office Expenses	9,800	5,873	3,927
Computer Software	500	0	500
Microfilming and Preservation	18,000	10,468	7,532
Records Automation	50,000	15,667	34,333
Total Town Clerk/Treasurer	255,474	239,552	15,922
Planning and Zoning:			
Salaries	154,843	168,081	(13,238)
Benefits and Other Insurance	57,295	59,550	(2,255)
Zoning Enforcement Contractor	20,000	0	20,000
Planning Expense	6,700	6,377	323
Conference and Training	900	250	650
Town Plan and Special Projects	18,750	14,556	4,194
Planning Grants	42,500	5,266	37,234
Planning Assistance	5,610	5,500	110
GIS Software	8,600	4,960	3,640
Total Planning and Zoning	315,198	264,540	50,658
Assessor's Office:			
Salaries	38,024	38,168	(144)
Benefits and Other Insurance	29,236	11,566	17,670
Administrative Assistant	29,771	24,386	5,385
Assessor Expenses	3,500	4,416	(916)
Total Assessor's Office	100,531	78,536	21,995
Buildings and Grounds:			
Salaries	100,071	94,067	6,004
Benefits and Other Insurance	48,691	42,083	6,608
Town Center Operating Expenses	42,000	45,457	(3,457)
Town Parade Ground Expenses	0	3,055	(3,055)
Town Center Building Maintenance	12,600	1,739	10,861
Town Hall Operating Expense	1,600	2,019	(419)
Town Hall Building Maintenance	3,700	2,805	895
Town Hall Heating Fuel	9,268	6,318	2,950
Town Center Heating Fuel	22,000	16,201	5,799
Town Center Utilities	50,600	49,362	1,238
Pierson Building Utilities and Maintenance	2,000	769	1,231
Transfer to Highway Equipment Fund	81,000	81,000	0
Recreation Fields Maintenance	10,000	5,954	4,046
Capital Projects	20,000	137,221	(117,221)
Total Buildings and Grounds	403,530	488,050	(84,520)

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works:			
Stormwater Engineering and Planning	\$ 5,000	\$ 75	\$ 4,925
Stormwater Partnerships	8,600	15,047	(6,447)
Stormwater Permits	14,000	19,202	(5,202)
Stormwater Maintenance	50,000	30,126	19,874
Stormwater Projects	2,000	0	2,000
Transfer to Sewer Fund for Stormwater	7,177	7,177	0
Monroe Brook Flow Restoration Project	12,200	20,134	(7,934)
Total Public Works	98,977	91,761	7,216
Harbormaster:			
Salaries	5,213	5,213	0
FICA	399	399	0
Mooring Inspection/Maintenance	13,100	9,300	3,800
Seasonal Dock Installation/Removal	4,200	7,670	(3,470)
Equipment	5,500	1,792	3,708
Maintenance/Administration	300	64	236
Transfer to Bay Park Fund	8,500	8,500	0
Total Harbormaster	37,212	32,938	4,274
Police Department:			
Salaries	875,407	790,487	84,920
Overtime Salaries	117,466	124,059	(6,593)
Benefits and Other Insurance	390,839	345,376	45,463
Special Duty Details	0	36,137	(36,137)
Office Expense	10,500	10,713	(213)
Telephone	10,000	11,039	(1,039)
Radio Expense	32,500	3,964	28,536
Travel and Conferences	2,500	502	1,998
Photos	6,300	2,091	4,209
Training	10,000	7,169	2,831
Gasoline	34,000	30,787	3,213
Tires	5,100	867	4,233
Vehicle Maintenance and Repairs	15,000	17,382	(2,382)
General Equipment	6,000	7,400	(1,400)
Fingerprint Equipment and Supplies	3,500	3,898	(398)
Uniform Purchases	8,000	7,290	710
Uniform Cleaning	4,000	2,920	1,080
Computer Use and Maintenance	19,000	16,066	2,934
Other	0	50	(50)
Building Maintenance	2,000	2,563	(563)
Matching Funds for Grants	1,000	0	1,000
Capital Improvements	16,293	2,955	13,338
Transfer to Police Cruiser Fund	35,000	35,000	0
Animal Enforcement	3,100	2,135	965
Police/C.U.S.I	11,354	11,354	0
Governor's Highway Safety and Other Grants	0	285,980	(285,980)
Total Police Department	1,618,859	1,758,184	(139,325)

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department:			
Salaries	\$ 45,000	\$ 44,670	\$ 330
FICA	2,831	2,870	(39)
Office Supplies and Phones	5,445	6,088	(643)
Building Heat and Service	9,500	3,787	5,713
Fire Prevention - Training	7,000	4,210	2,790
Radio Maintenance	4,000	4,434	(434)
Protective Clothing	20,500	21,797	(1,297)
Gas and Oil	5,000	2,853	2,147
Fire Fighting Supplies	5,500	9,674	(4,174)
Equipment Maintenance	24,600	27,787	(3,187)
Building Maintenance	8,000	10,080	(2,080)
Equipment	23,325	14,806	8,519
Capital Improvements	25,000	13,846	11,154
Rescue Boat Expense	5,300	5,663	(363)
Periodicals	2,000	1,428	572
Physicals and Tests	4,000	1,356	2,644
Membership Events and Incentives	6,500	10,961	(4,461)
	<u>203,501</u>	<u>186,310</u>	<u>17,191</u>
Total Fire Department			
Public Safety and Dispatch:			
Dispatch Salaries	398,832	397,890	942
Overtime Salaries	49,381	84,436	(35,055)
Benefits and Other Insurance	134,896	134,800	96
Training	3,000	1,639	1,361
Uniforms	2,100	3,699	(1,599)
Capital Improvements	14,500	14,436	64
Dispatch Radio Equipment	15,000	15,839	(839)
Computer Use	16,000	3,444	12,556
	<u>633,709</u>	<u>656,183</u>	<u>(22,474)</u>
Total Public Safety and Dispatch			
Public Works - Highways:			
Salaries	268,692	261,210	7,482
Overtime Salaries	28,509	25,175	3,334
Benefits and Other Insurance	117,735	115,695	2,040
Interdepartmental Assistance	1,835	1,164	671
Road Maintenance	35,000	36,951	(1,951)
Tree Removal	5,100	0	5,100
Drainage System Maintenance	15,000	517	14,483
Construction Projects	40,000	35,422	4,578
Retreatment and Repaving	345,000	391,648	(46,648)
Sidewalk Maintenance	2,000	0	2,000
Route 7 Sidewalk Project	128,000	8,463	119,537
Line Striping and Crosswalks	4,500	6,751	(2,251)
Engineering Services	3,000	0	3,000
Street Signs	4,000	4,197	(197)
Winter Sand	5,000	3,767	1,233
Winter Salt	90,000	102,348	(12,348)
Garage Heating Fuel	7,280	5,449	1,831
Garage Utilities	12,081	12,293	(212)
Uniforms	4,600	3,733	867
Gas and Diesel	30,000	18,981	11,019
Equipment Repair and Maintenance	50,000	42,379	7,621

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works - Highways (Cont.):			
Street and Caution Lights	\$ 10,000	\$ 9,276	\$ 724
Garage Supplies	5,000	4,642	358
Building Maintenance	5,000	24	4,976
Street Lights Upgrade	20,000	0	20,000
	<u>1,237,332</u>	<u>1,090,085</u>	<u>147,247</u>
Total Public Works - Highways			
Health and Social Services:			
Health Officer Salary and FICA	939	0	939
United Way Donation	38,000	38,000	0
Transfer to Other (Community Fund)	2,000	2,000	0
Health Officer Expenses	450	0	450
	<u>41,389</u>	<u>40,000</u>	<u>1,389</u>
Total Health and Social Services			
Rescue:			
Volunteer Compensation	16,500	21,862	(5,362)
Volunteer Incentive Compensation	30,000	27,643	2,357
Compensation - Full Part-Time	57,787	94,850	(37,063)
Rescue Overtime	797	2,214	(1,417)
Benefits and Other Insurance	29,714	22,742	6,972
Medical Supplies	24,000	22,355	1,645
Uniforms	1,700	912	788
Operating	18,000	26,829	(8,829)
Transport Billing Expense	19,000	16,751	2,249
Oxygen	5,000	3,554	1,446
Training	2,200	5,341	(3,141)
Office Supplies	2,000	3,411	(1,411)
Office Equipment	500	3,098	(2,598)
Communications	4,000	2,926	1,074
Vehicle	12,000	9,888	2,112
Building Heating Fuel	2,300	1,560	740
Building Utilities	6,000	5,345	655
Building Maintenance	5,500	2,728	2,772
Immunizations	100	160	(60)
Public Education	500	0	500
	<u>237,598</u>	<u>274,169</u>	<u>(36,571)</u>
Total Rescue			
Cemeteries:			
Salaries	29,708	30,880	(1,172)
Benefits and Other Insurance	2,640	2,707	(67)
Supplies and Tools	800	902	(102)
Committee Expenses	100	108	(8)
Gas Expense	1,000	646	354
Equipment Maintenance	800	229	571
Equipment Purchases	500	561	(61)
Capital Projects	5,000	5,127	(127)
Transfer to Other (Cemetery Tractor Fund)	1,600	1,600	0
Outside Services	2,800	3,253	(453)
Interments	4,800	4,500	300
Cremation Garden	1,000	1,079	(79)
	<u>50,748</u>	<u>51,592</u>	<u>(844)</u>
Total Cemeteries			

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Recreation:			
Administrative Salaries	\$ 90,316	\$ 90,930	\$ (614)
Benefits and Other Insurance	36,933	46,895	(9,962)
Administration Expenses	8,780	9,142	(362)
Public Information	6,830	7,012	(182)
Beach Salaries	17,536	19,303	(1,767)
Beach Equipment	1,765	1,333	432
Beach Utilities	2,320	1,677	643
Adult Sports Leagues	100	0	100
Dog Obedience	3,100	1,900	1,200
Davis Park	3,500	4,288	(788)
Park Maintenance	20,625	6,143	14,482
Martial Arts	2,300	1,410	890
Beach Maintenance	9,700	8,570	1,130
Lacrosse Programs	9,287	9,135	152
Swim Lessons	50	0	50
Youth Basketball	3,130	1,897	1,233
Babe Ruth Baseball	4,925	4,852	73
Summer Soccer Camp	14,900	12,481	2,419
Softball	4,148	2,205	1,943
Youth Soccer	10,890	13,748	(2,858)
Little League Baseball	25,325	25,918	(593)
Recreation Programs - Non-League	29,910	29,534	376
Special Events and Concerts	12,700	10,990	1,710
Ski Program	8,600	8,135	465
Total Recreation	327,670	317,498	10,172
Library:			
Salaries	206,633	216,481	(9,848)
Benefits and Other Insurance	80,143	77,081	3,062
Supplies	5,700	7,332	(1,632)
Materials	43,500	43,785	(285)
Public Information	500	110	390
Building Maintenance	6,700	13,007	(6,307)
Utilities	16,173	19,224	(3,051)
Equipment Purchase and Maintenance	2,000	1,820	180
Administrative	2,000	1,417	583
Programs	4,000	4,058	(58)
Computer Hardware and Software	8,800	5,704	3,096
Total Library	376,149	390,019	(13,870)
Debt Management:			
Fire Truck 2010 Note	50,486	49,720	766
Town Center Project	230,154	230,154	0
Recreation Fields Project	101,625	101,625	0
Recreation Bike Path Bond Issue 2008	26,054	26,054	0
Recreation Path Harbor Road Bond 2008 Issue 2012	28,951	28,951	0
Recreation Path Bond 2008 Issue 2010	28,028	28,496	(468)
Beach Sea Wall Bond 2009 Issue 2010	16,652	16,748	(96)
Beaver Creek Bond 2009 Issue 2010	49,041	45,239	3,802
Dispatch Radio Equipment	16,500	16,361	139
Total Debt Management	547,491	543,348	4,143

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Intergovernmental:			
County Tax	\$ 72,326	\$ 74,076	\$ (1,750)
Greater Burlington Industrial Development Corp	1,200	1,200	0
Chittenden County Regional Planning	18,361	18,361	0
Chittenden County Transit Authority	102,073	102,073	0
Total Intergovernmental	193,960	195,710	(1,750)
Employee Benefits:			
HRA Expenses	97,750	44,322	53,428
Health Insurance/Flex Spending Administration Expense	21,500	9,427	12,073
Miscellaneous	0	1,050	(1,050)
Employee Assistance Program	700	684	16
Employee Events/Recognition	0	4,729	(4,729)
Immunizations	1,000	0	1,000
Total Employee Benefits	120,950	60,212	60,738
Miscellaneous:			
Selectboard Discretionary	3,700	2,337	1,363
Community Events	1,500	1,846	(346)
Tree Conservation	1,000	2,375	(1,375)
Committee Support	6,500	1,937	4,563
Miscellaneous Expense	0	4,375	(4,375)
Total Miscellaneous	12,700	12,870	(170)
Community Improvement Transfer to Open Space Fund	30,000	30,000	0
Total Expenditures	7,739,226	7,938,950	(199,724)
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ 0	49,348	\$ 49,348
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Ambulance Fund Revenues		298,992	
Ambulance Fund Transfer		(264,877)	
Net Change in Fund Balance		83,463	
Fund Balance - July 1, 2016		994,615	
Fund Balance - June 30, 2017		\$ 1,078,078	

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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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Plan Net Pension Liability	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.7227%	0.69654%	0.6842%
Town's Proportionate Share of the Net Pension Liability	\$ 930,087	\$ 537,005	\$ 62,440
Town's Covered Employee Payroll	\$ 2,064,865	\$ 1,866,277	\$ 1,687,080
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	45.04%	28.77%	3.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%	87.42%	98.32%
	as of June 30, 2016	as of June 30, 2015	as of June 30, 2014

Notes to the Schedule:

Benefit Changes: none

Changes in Assumptions: The actuarial assumptions regarding the incidence of maturity, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five year period ending June 30, 2014.

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

Valuation Dates: June 30, 2016, 2015 and 2014

TOWN OF SHELBURNE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions (Actuarially Determined)	\$ 122,861	\$ 109,840	\$ 97,366
Contributions in Relation to the Actuarially Determined Contributions	<u>(122,861)</u>	<u>(109,840)</u>	<u>(97,366)</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,064,865	\$ 1,866,277	\$ 1,687,080
Contributions as a Percentage of Covered Employee Payroll	5.95%	5.89%	5.77%

Notes to the Schedule:

Valuation Dates: June 30, 2016, 2015 and 2014

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

TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 28,092	\$ 585	\$ 0	\$ 28,677
Charges for Services	27,049	0	0	27,049
Investment Income	933	0	9,946	10,879
Fees and Licenses	27,728	0	0	27,728
Contributions	28,616	41,349	102,854	172,819
Other Revenue	0	2,503	0	2,503
	<u>112,418</u>	<u>44,437</u>	<u>112,800</u>	<u>269,655</u>
Total Revenues				
Expenditures:				
General Government	115	0	0	115
Public Safety	0	8,786	0	8,786
Cemetery	0	0	550	550
Highway and Public Works	0	5	0	5
Recreation and Parks	31,105	0	0	31,105
Library	0	26,387	9,665	36,052
Capital Outlay:				
Public Safety	0	139,316	0	139,316
Highways and Public Works	0	179,369	0	179,369
Recreation and Parks	0	150,000	0	150,000
Library	0	42,948	0	42,948
Debt Service:				
Principal	0	150,000	0	150,000
Interest	0	1,851	0	1,851
	<u>31,220</u>	<u>698,662</u>	<u>10,215</u>	<u>740,097</u>
Total Expenditures				
Excess/(Deficiency) of Revenues Over Expenditures	<u>81,198</u>	<u>(654,225)</u>	<u>102,585</u>	<u>(470,442)</u>
Other Financing Sources/(Uses):				
Proceeds from Long-Term Debt	0	173,000	0	173,000
Transfers In	5,764	154,500	0	160,264
Transfers Out	(40,261)	0	0	(40,261)
	<u>(34,497)</u>	<u>327,500</u>	<u>0</u>	<u>293,003</u>
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	46,701	(326,725)	102,585	(177,439)
Fund Balances - July 1, 2016	<u>388,498</u>	<u>786,105</u>	<u>353,256</u>	<u>1,527,859</u>
Fund Balances - June 30, 2017	<u>\$ 435,199</u>	<u>\$ 459,380</u>	<u>\$ 455,841</u>	<u>\$ 1,350,420</u>

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TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<u>ASSETS</u>					
Investments	\$ 142,944	\$ 0	\$ 0	\$ 0	\$ 142,944
Due from Other Funds	<u>0</u>	<u>183,807</u>	<u>119,854</u>	<u>43,228</u>	<u>346,889</u>
Total Assets	<u>\$ 142,944</u>	<u>\$ 183,807</u>	<u>\$ 119,854</u>	<u>\$ 43,228</u>	<u>\$ 489,833</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,419	\$ 0	\$ 0	\$ 0	\$ 1,419
Due to Other Funds	<u>53,215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>53,215</u>
Total Liabilities	<u>54,634</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,634</u>
<u>FUND BALANCES</u>					
Restricted	88,310	0	119,854	33,901	242,065
Committed	0	0	0	9,327	9,327
Assigned	<u>0</u>	<u>183,807</u>	<u>0</u>	<u>0</u>	<u>183,807</u>
Total Fund Balances	<u>88,310</u>	<u>183,807</u>	<u>119,854</u>	<u>43,228</u>	<u>435,199</u>
Total Liabilities and Fund Balances	<u>\$ 142,944</u>	<u>\$ 183,807</u>	<u>\$ 119,854</u>	<u>\$ 43,228</u>	<u>\$ 489,833</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, 2017

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
Revenues:					
Intergovernmental	\$ 0	\$ 28,092	\$ 0	\$ 0	\$ 28,092
Investment Income	933	0	0	0	933
Fees and licenses	0	0	27,728	0	27,728
Charges for Services	27,049	0	0	0	27,049
Contributions	22,199	0	0	6,417	28,616
Total Revenues	<u>50,181</u>	<u>28,092</u>	<u>27,728</u>	<u>6,417</u>	<u>112,418</u>
Expenditures:					
General Government	0	115	0	0	115
Recreation and Parks	17,245	0	0	13,860	31,105
Capital Outlay:					
Recreation and Parks	0	0	0	0	0
Total Expenditures	<u>17,245</u>	<u>115</u>	<u>0</u>	<u>13,860</u>	<u>31,220</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>32,936</u>	<u>27,977</u>	<u>27,728</u>	<u>(7,443)</u>	<u>81,198</u>
Other Financing Sources/(Uses):					
Transfers In	2,164	0	0	3,600	5,764
Transfers Out	(16,446)	0	(22,385)	(1,430)	(40,261)
Total Other Financing Sources/(Uses)	<u>(14,282)</u>	<u>0</u>	<u>(22,385)</u>	<u>2,170</u>	<u>(34,497)</u>
Net Change in Fund Balances	18,654	27,977	5,343	(5,273)	46,701
Fund Balances - July 1, 2016	<u>69,656</u>	<u>155,830</u>	<u>114,511</u>	<u>48,501</u>	<u>388,498</u>
Fund Balances - June 30, 2017	<u>\$ 88,310</u>	<u>\$ 183,807</u>	<u>\$ 119,854</u>	<u>\$ 43,228</u>	<u>\$ 435,199</u>

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TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Open Land Trust Fund	Police Fund	Fire Truck Fund	Total
<u>ASSETS</u>									
Due from Other Funds	\$ 52,522	\$ 0	\$ 9,407	\$ 203,018	\$ 23,128	\$ 141,155	\$ 71,528	\$ 0	\$ 500,758
Total Assets	<u>\$ 52,522</u>	<u>\$ 0</u>	<u>\$ 9,407</u>	<u>\$ 203,018</u>	<u>\$ 23,128</u>	<u>\$ 141,155</u>	<u>\$ 71,528</u>	<u>\$ 0</u>	<u>\$ 500,758</u>
<u>LIABILITIES</u>									
Accounts Payable	\$ 0	\$ 3,514	\$ 188	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,704	\$ 11,406
Due to Other Funds	<u>0</u>	<u>4,385</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,587</u>	<u>29,972</u>
Total Liabilities	<u>0</u>	<u>7,899</u>	<u>188</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,291</u>	<u>\$ 41,378</u>
<u>FUND BALANCES</u>									
Restricted	0	0	9,219	203,018	0	0	16,902	0	229,139
Committed	52,522	0	0	0	0	141,155	54,626	0	248,303
Assigned	0	0	0	0	23,128	0	0	0	23,128
Unassigned	<u>0</u>	<u>(7,899)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33,291)</u>	<u>(41,190)</u>
Total Fund Balances	<u>52,522</u>	<u>(7,899)</u>	<u>9,219</u>	<u>203,018</u>	<u>23,128</u>	<u>141,155</u>	<u>71,528</u>	<u>(33,291)</u>	<u>459,380</u>
Total Liabilities and Fund Balances	<u>\$ 52,522</u>	<u>\$ 0</u>	<u>\$ 9,407</u>	<u>\$ 203,018</u>	<u>\$ 23,128</u>	<u>\$ 141,155</u>	<u>\$ 71,528</u>	<u>\$ 0</u>	<u>\$ 500,758</u>

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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, 2017

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Open Land Trust Fund	Police Fund	Fire Truck Fund	Total
Revenues:									
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 585	\$ 0	\$ 585
Contributions	0	0	40,173	0	0	0	1,176	0	41,349
Other	0	0	0	0	0	0	784	1,719	2,503
Total Revenues	0	0	40,173	0	0	0	2,545	1,719	44,437
Expenditures:									
Public Safety	0	0	0	0	0	0	1,703	7,083	8,786
Highway and Public Works	0	0	0	5	0	0	0	0	5
Library	0	0	26,387	0	0	0	0	0	26,387
Capital Outlay:									
Highways and Public Works	0	11,274	0	168,095	0	0	0	0	179,369
Library	0	0	42,948	0	0	0	0	0	42,948
Public Safety	0	0	0	0	0	0	45,779	93,537	139,316
Recreation and Parks	0	0	0	0	0	150,000	0	0	150,000
Debt Service - Principal	0	0	0	150,000	0	0	0	0	150,000
Debt Service - Interest	0	0	0	1,851	0	0	0	0	1,851
Total Expenditures	0	11,274	69,335	319,951	0	150,000	47,482	100,620	698,662
Excess/(Deficiency) of Revenue Over Expenditures	0	(11,274)	(29,162)	(319,951)	0	(150,000)	(44,937)	(98,901)	(654,225)
Other Financing Sources:									
Loan Proceeds	0	0	0	173,000	0	0	0	0	173,000
Transfers In	8,500	0	0	81,000	0	30,000	35,000	0	154,500
Total Other Financing Sources	8,500	0	0	254,000	0	30,000	35,000	0	327,500
Net Change in Fund Balance	8,500	(11,274)	(29,162)	(65,951)	0	(120,000)	(9,937)	(98,901)	(326,725)
Fund Balance - July 1, 2016	44,022	3,375	38,381	268,969	23,128	261,155	81,465	65,610	786,105
Fund Balance/(Deficit) - June 30, 2017	\$ 52,522	\$ (7,899)	\$ 9,219	\$ 203,018	\$ 23,128	141,155	\$ 71,528	\$ (33,291)	\$ 459,380

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TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2017

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<u>ASSETS</u>				
Cash	\$ 116,348	\$ 0	\$ 0	\$ 116,348
Investments	0	181,460	93,001	274,461
Due from Other Funds	0	70,028	34,445	104,473
Total Assets	\$ 116,348	\$ 251,488	\$ 127,446	\$ 495,282
<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	116,348	251,488	88,005	455,841
Total Fund Balances	116,348	251,488	88,005	455,841
Total Liabilities and Fund Balances	\$ 116,348	\$ 251,488	\$ 127,446	\$ 495,282

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TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
Revenues:				
Contributions	\$ 97,354	\$ 5,500	\$ 0	\$ 102,854
Investment Income (Loss)	<u>7</u>	<u>21,448</u>	<u>(11,509)</u>	<u>9,946</u>
Total Revenues	<u>97,361</u>	<u>26,948</u>	<u>(11,509)</u>	<u>112,800</u>
Expenditures:				
Cemetery	0	550	0	550
Library	<u>9,665</u>	<u>0</u>	<u>0</u>	<u>9,665</u>
Total Expenditures	<u>9,665</u>	<u>550</u>	<u>0</u>	<u>10,215</u>
Net Change in Fund Balances	87,696	26,398	(11,509)	102,585
Fund Balances - July 1, 2016	<u>28,652</u>	<u>225,090</u>	<u>99,514</u>	<u>353,256</u>
Fund Balances - June 30, 2017	<u>\$ 116,348</u>	<u>\$ 251,488</u>	<u>\$ 88,005</u>	<u>\$ 455,841</u>

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TOWN OF SHELBURNE, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and Transfers:			
Water Sales	\$ 938,310	\$ 1,014,569	\$ 76,259
Cut-Ins	21,000	21,434	434
Hydrant Maintenance Fees	10,700	8,950	(1,750)
Penalties and Interest	11,000	9,267	(1,733)
Interest Income	500	3,975	3,475
Tank Space Rent	28,280	28,280	0
Turn On/Off and Final Bill Charges	4,400	4,200	(200)
Transfer from Sewer Fund (Meter Reading Services)	20,065	20,065	0
Charges for Materials, Services and Miscellaneous	1,000	59,975	58,975
Certificate of Deposit Revenue	93,152	0	(93,152)
	<u>1,128,407</u>	<u>1,170,715</u>	<u>42,308</u>
Total Revenues and Transfers			
Expenses and Transfers:			
Water Purchases	346,949	360,146	(13,197)
State Water Quality Fee	8,512	8,836	(324)
Engineering	6,000	17,846	(11,846)
Contractors and Equipment Rental	85,000	66,198	18,802
Pump Station	4,000	3,694	306
Tank and Line Maintenance	114,170	91,694	22,476
Hydrant Replacement and Maintenance	5,000	4,568	432
Materials	5,000	9,264	(4,264)
Meter Purchases and Replacement	6,500	11,749	(5,249)
Equipment and Large Tools	2,000	1,239	761
Miscellaneous	3,000	3,117	(117)
Valve Replacement and Maintenance	5,000	99	4,901
Building Maintenance	1,000	25	975
Small Tools	1,000	1,116	(116)
Radio Maintenance	0	589	(589)
Postage	2,800	2,741	59
Accounting and Auditing	2,402	3,155	(753)
Legal Services	5,000	4,809	191
Office Supplies	1,700	1,600	100
Computer Services	4,500	2,456	2,044
Telephones and Pagers	3,500	2,485	1,015
Uniforms	2,260	1,954	306
Retirement	10,062	10,733	(671)
Health Insurance and Other Benefits	60,335	45,057	15,278
FICA	14,741	15,624	(883)
Training	2,000	686	1,314
Wages - Regular and On Call	172,510	173,852	(1,342)
Mileage	100	0	100
Wages - Overtime	20,179	20,668	(489)
Outside Labor	800	260	540
Vehicle Gas and Oil	5,000	5,213	(213)
Vehicle Repair and Maintenance	2,000	4,351	(2,351)
Insurance - General	17,098	17,098	0
Debt Service	124,829	108,110	16,719
Transfer to General Fund (Administrative Services)	44,659	44,659	0
Transfer to Capital Improvement Fund	10,000	0	10,000
Truck Purchase	28,801	30,632	(1,831)
	<u>1,128,407</u>	<u>1,076,323</u>	<u>52,084</u>
Total Expenses and Transfers			
Net Income/(Loss)	<u>\$ 0</u>	94,392	<u>\$ 94,392</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Transfer Water Tank to Champlain Water District		(253,121)	
Depreciation Expense		(102,349)	
Capital Project (Truck)		30,632	
Debt Accrued Interest		(6,788)	
GASB 68 Pension Adjustment		(2,515)	
Debt Principal		85,000	
		<u>85,000</u>	
Change in Net Position - Exhibit G		<u>\$ (154,749)</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)
 SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Revenues and Transfers:			
User Fees	\$ 1,752,459	\$ 1,844,549	\$ 92,090
Miscellaneous	700	4,023	3,323
Transfer from General Fund (Stormwater Admin.)	6,500	6,500	0
Transfer from Sewer Capacity Fund	20,000	20,677	677
Interest and Penalties	25,000	20,965	(4,035)
Outside Septage	<u>51,000</u>	<u>65,703</u>	<u>14,703</u>
 Total Revenues and Transfers	 <u>1,855,659</u>	 <u>1,962,417</u>	 <u>106,758</u>
Expenses and Transfers:			
Transfer to General Fund (Administrative Services)	44,659	44,659	0
Transfer to Water Fund (Meter Reading Services)	20,065	20,065	0
Chemicals	43,500	48,394	(4,894)
Electricity	178,240	177,660	580
Property Insurance	42,671	41,350	1,321
Lab Testing and Equipment	22,100	24,971	(2,871)
Miscellaneous Expense	3,500	6,264	(2,764)
Plant Maintenance	120,800	47,083	73,717
Professional Services (Legal, Accounting, Engineering)	38,200	20,023	18,177
Permits	3,300	3,300	0
Debt Service	617,539	594,950	22,589
SCADA System Maintenance	18,000	11,647	6,353
Heating Fuel & Communication Utilities	37,630	32,712	4,918
Safety Equipment	2,200	1,636	564
Sludge Disposal	80,000	70,616	9,384
Collection System Maintenance	40,000	49,870	(9,870)
Collection System Capital Improvements	35,000	49,024	(14,024)
Transfer to Capital Improvement Fund	50,000	50,000	0
Training and Travel	3,500	2,532	968
Truck Expense	12,000	20,877	(8,877)
Truck Purchase	10,000	78,072	(68,072)
Office Expense	6,000	7,076	(1,076)
Wages - Regular	278,422	280,238	(1,816)
Wages - Overtime	31,703	30,516	1,187
Retirement	16,791	13,842	2,949
FICA	23,725	24,475	(750)
Health Insurance and Other Benefits	<u>76,114</u>	<u>68,274</u>	<u>7,840</u>
 Total Expenses and Transfers	 <u>1,855,659</u>	 <u>1,820,126</u>	 <u>35,533</u>
 Net Income/(Loss)	 <u>\$ 0</u>	 142,291	 <u>\$ 142,291</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Transfer from Sewer Capital Fund		(20,000)	
Transfer to Capital Improvement Fund		50,000	
Gain on Sale of Capital Assets		11,300	
Depreciation Expense		(435,345)	
Capital Fund Connection Fees		168,850	
Capital Fund Interest Income		1,967	
Capital Fund Other Income		11,955	
Capital Projects		102,718	
Debt Accrued Interest		(21,117)	
Debt Principal		584,118	
GASB 68 Pension Adjustment		<u>(11,755)</u>	
 Change in Net Position - Exhibit G		 <u>\$ 584,982</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 20, 2018.

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 2017-1 and 2017-2 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 2017-3 through 2017-5 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".

We have also noted certain other matters that we reported to the management of the Town of Shelburne, Vermont in a separate letter dated February 20, 2018.

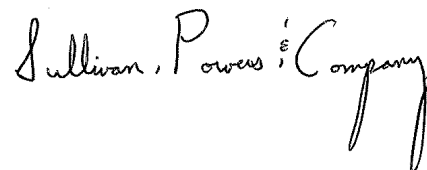
Town of Shelburne, Vermont's Responses to the Deficiencies in Internal Control

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 20, 2018
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Deficiencies in Internal Control:

Material Weaknesses:

2017-1 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 Treasurer reconciles small checking accounts and certificates of deposit activity and posts this to the general ledger. The Finance Director reconciles the Town's primary checking account and posts adjusting entries, if needed as part of this reconciliation, which is provided to the Treasurer. The Finance Director posts tax, water and sewer payments on a limited basis during peak times and employee absences. The Town Treasurer, (now a part-time appointed position) posts ambulance receipts. All other payments are processed by Town Clerk, Finance, and Recreation Department staff. The Finance Director does not have signing authority for paper checks but can initiate electronic payments, (see response to 2017-2). We will develop a procedure where the Finance Director and Town Treasurer's monthly reconciliations are reviewed by another person, preferably in a different department.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

2017-2 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. Most transfers have documentation showing their purpose and are approved by the second person. But there still exists instances where the transfer is done by the same person using the second person's code.

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. In the rare instance where the same person initiates and releases the transfer, the second person should document their approval of the transfer after the fact.

Management Response:

Electronic transfers of funds require two individuals — one to enter the transaction and a second person to process the transaction, releasing the funds. In rare cases, where a second person is not available, the transfer is completed by one person using a separate transaction token and username that is kept in the Town vault. In these cases, documentation of the transfer is provided to the Treasurer who initials it. In all cases, both the person initiating the transaction and the one processing it initial the report documenting their role. We will ensure this takes place for all transfers of funds. Electronic payments are listed on the Check Warrant Report, which is reviewed and signed by a Selectboard member.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Significant Deficiencies:

2017-3 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 being reconciled with the general ledger, but no one outside the Recreation Department reviews the reconciliation.

Cause:

Unknown.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that the Rec Track reconciliation be submitted to the Finance Department for review and approval.

Management Response:

We will work with Recreation Department staff to develop a procedure to review their reconciliation. Since the department initiated online payments, the amount of cash payments has decreased.

2017-4 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.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

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 or Treasurer.

Management Response:

Journal entries prepared by the Finance Director are kept in a binder for anyone to review. We will develop a process where these are reviewed and acknowledged by the Treasurer.

2017-5 Timely Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the timely reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition:

A number of balance sheet accounts such as unbilled water and sewer receivables, prepaid expenses, accrued payroll and deferred revenues were not reconciled to the actual balances at year end or during the year which resulted in various adjustments to revenue and expenses.

Cause:

Unknown.

Effect:

Some of the Town's balance sheet account balances were incorrect during the year and at year end.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation on a monthly basis in order to detect and correct errors.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Management Response:

Due to staff vacancies throughout the year, reconciliation of balance sheet accounts did not take place on a timely basis after month end. We will work to correct this deficiency in FY 2017-18, with the goal of performing reconciliations on a monthly basis at the close of each month.