

**TOWN OF SHELBURNE, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2019**

TOWN OF SHELBURNE, VERMONT  
 AUDIT REPORT  
 TABLE OF CONTENTS  
 JUNE 30, 2019

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	
Statement of Net Position	Exhibit A 13
Statement of Activities	Exhibit B 14
Governmental Funds:	
Balance Sheet	Exhibit C 15
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 17
Proprietary Funds:	
Statement of Fund Net Position	Exhibit F 18
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G 19
Statement of Cash Flows	Exhibit H 20
Notes to the Financial Statements	21-50
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1 51-59

TOWN OF SHELBURNE, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2019

	<u>Page #</u>
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2      60
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3      61
Other Information:	
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4      62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5      63
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6      64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7      65
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8      66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9      67
Combining Balance Sheet - Non-Major Permanent Funds	Schedule 10      68
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Permanent Funds	Schedule 11      69

TOWN OF SHELBURNE, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2019

		<u>Page #</u>
Schedule of Revenues and Expenses - Budget and Actual (Non GAAP Budgetary Basis) - Water Fund	Schedule 12	70
Schedule of Revenues and Expenses - Budget and Actual (Non GAAP Budgetary Basis) - Sewer Fund	Schedule 13	71
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"		72-73
Schedule of Deficiencies in Internal Control		74-76
Response to Deficiencies in Internal Control		

**Sullivan, Powers & Co., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
VT Lic. #92-000180

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, 2019, 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, 2019, 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.

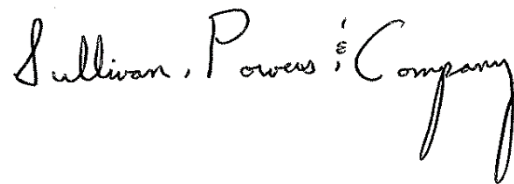
***Other Information***

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 28, 2020 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 28, 2020  
Montpelier, Vermont  
VT Lic. #92-000180

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

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019

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, 2019. This report should be read in conjunction with the Town's financial statements.

**Financial Highlights**

- The Town's combined net position increased by \$1,744,056 as a result of this year's operations. Net position of our business-type activities increased by \$510,585 and net position of our governmental activities increased by \$1,263,471.
- In the Town's business-type activities, revenues and capital contributions were \$3,161,912 while expenses were \$2,767,086. Net position at June 30, 2019 totaled \$11,947,688.
- The cost of all of the Town's programs was \$11,245,706 this year, with no new programs added.
- The General Fund reported a surplus on a budgetary basis this year of \$369,605 which was \$369,605 better than budgeted.
- The unassigned fund balance in the General Fund at June 30, 2019 was \$986,583. This amount is available for future year budgets.
- The Non-major Funds reported a deficit of \$91,066 this year which decreased the cumulative surplus to \$1,470,673.

**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, 2019  
(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, 2019  
(Continued)

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

The Town's combined net position increased by \$1,744,056 from 2018, increasing from a balance of \$23,573,837 to \$25,347,893. 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 Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current and Other Assets	\$ 5,076,357	\$ 4,893,372	\$ 2,288,447	\$ 1,721,608	\$ 7,364,804	\$ 6,614,980
Capital Assets	18,478,262	13,555,898	15,472,944	14,493,046	33,951,206	28,048,944
Total Assets	<u>23,554,619</u>	<u>18,449,270</u>	<u>17,761,391</u>	<u>16,214,654</u>	<u>41,316,010</u>	<u>34,663,924</u>
Deferred Outflows of Resources	418,139	446,694	69,259	61,652	487,398	508,346
Current Liabilities	4,470,016	884,083	1,145,377	319,391	5,615,393	1,203,474
Long-term Liabilities	5,657,727	4,867,108	4,734,145	4,517,237	10,391,872	9,384,345
Total Liabilities	<u>10,127,743</u>	<u>5,751,191</u>	<u>5,879,522</u>	<u>4,836,628</u>	<u>16,007,265</u>	<u>10,587,819</u>
Deferred Inflows of Resources	444,810	1,008,039	3,440	2,575	448,250	1,010,614
Net Investment in Capital Assets	11,545,952	9,314,898	10,101,638	10,136,780	21,647,590	19,451,678
Restricted	1,054,299	1,301,745	0	0	1,054,299	1,301,745
Unrestricted	799,954	1,520,091	1,846,050	1,300,323	2,646,004	2,820,414
Total Net Position	<u>\$ 13,400,205</u>	<u>\$ 12,136,734</u>	<u>\$ 11,947,688</u>	<u>\$ 11,437,103</u>	<u>\$ 25,347,893</u>	<u>\$ 23,573,837</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 \$799,954 at June 30, 2019 for the governmental activities.

The unrestricted net position of our business-type activities was \$1,846,050 at June 30, 2019. 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, 2019  
(Continued)**

**Table 2  
Change in Net Position**

	Governmental Activities <u>FY 2019</u>	Governmental Activities <u>FY 2018</u>	Business-type Activities <u>FY 2019</u>	Business-type Activities <u>FY 2018</u>	Total <u>FY 2019</u>	Total <u>FY 2018</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,350,715	\$ 1,574,084	\$ 3,157,522	\$ 3,087,515	\$ 4,508,237	\$ 4,661,599
Operating Grants and Contributions	727,573	639,987	4,390	0	731,963	639,987
Capital Grants and Contributions	818,896	474,764	0	33,583	818,896	508,347
<b>General Revenues:</b>						
Property Taxes	6,495,372	5,985,675	0	0	6,495,372	5,985,675
Penalties and Interest on Delinquent Taxes	105,676	49,600	0	0	105,676	49,600
General State Grants	189,963	178,057	0	0	189,963	178,057
Unrestricted Investment Earnings	2,520	46,714	11,031	7,315	13,551	54,029
Other Revenues	67,704	48,784	88,400	64,700	156,104	113,484
<b>Total Revenues</b>	<u>9,758,419</u>	<u>8,997,665</u>	<u>3,261,343</u>	<u>3,193,113</u>	<u>13,019,762</u>	<u>12,190,778</u>
<b>Expenses:</b>						
General Government	2,186,243	2,348,826	0	0	2,186,243	2,348,826
Public Safety	3,145,320	3,185,739	0	0	3,145,320	3,185,739
Highways and Public Works	1,853,388	1,770,931	0	0	1,853,388	1,770,931
Health and Welfare	41,280	35,246	0	0	41,280	35,246
Recreation and Parks	506,514	487,405	0	0	506,514	487,405
Library	558,799	479,702	0	0	558,799	479,702
Cemetery	53,998	60,949	0	0	53,998	60,949
Interest on Long-term Debt	133,078	58,558	0	0	133,078	58,558
Water	0	0	1,107,618	1,119,695	1,107,618	1,119,695
Sewer	0	0	1,659,468	1,629,291	1,659,468	1,629,291
<b>Total Expenses</b>	<u>8,478,620</u>	<u>8,427,356</u>	<u>2,767,086</u>	<u>2,748,986</u>	<u>11,245,706</u>	<u>11,176,342</u>
Transfers	(16,328)	(10,000)	16,328	10,000	0	0
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 1,263,471</u>	<u>\$ 560,309</u>	<u>\$ 510,585</u>	<u>\$ 454,127</u>	<u>\$ 1,774,056</u>	<u>\$ 1,014,436</u>

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, Library, Cemeteries 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 2019 Total Cost of Services	FY 2018 Total Cost of Services	FY 2019 Net Cost of Services	FY 2018 Net Cost of Services
General Government	\$ 2,186,243	2,348,826	\$ 1,734,818	\$ 1,751,096
Public Safety	3,145,320	3,185,739	2,083,792	2,098,799
Highways and Public Works	1,853,388	1,770,931	1,540,198	1,418,688
Health and Welfare	41,280	35,246	41,280	35,246
Recreation and Parks	506,514	487,405	225,565	145,128
Library	558,799	479,702	(231,293)	176,387
Cemetery	53,998	60,949	53,998	54,619
Interest on Long-Term Debt	133,078	58,558	133,078	58,558
<b>Totals</b>	<u>\$ 8,478,620</u>	<u>8,427,356</u>	<u>\$ 5,581,436</u>	<u>\$ 5,738,521</u>

**TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(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 \$431,854 which represents a decrease of \$2,197,116 from last year's total of \$2,628,970. Included in this year's total change in fund balance is an increase of \$299,648 in the Town's General Fund balance, and a decrease of \$91,066 in the non-major governmental funds. The Library/Town Hall construction began in FY 2018-19 and had a negative fund balance of \$2,603,800 as of 6/30/19. This was due to expenditures of \$5,174,048, carryover of a negative fund balance of \$198,108 from prior year expenses, partially offset by bond proceeds of \$2,000,000 and donations/interest income of \$768,350. Bond proceeds combined with donations for the project offset this negative balance in the FY 2019-20 fiscal year.

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	\$ 8,178,100	\$ 8,327,756	\$ 149,656
Transfers In	<u>607,507</u>	<u>368,728</u>	<u>(238,779)</u>
Total Revenues + Transfers In	8,785,607	8,696,484	(89,123)
Expenditures	8,611,346	8,152,618	458,728
Transfers out	<u>174,261</u>	<u>174,261</u>	<u>-</u>
Total Expenditures + Transfers Out	8,785,607	8,326,879	458,728
Difference	-	\$ 369,605	\$ 369,605

The actual results show Revenues & Transfers In exceeded Expenditures & Transfers Out by \$369,605, which was a positive variance of \$369,605.

**Significant Budget vs Actual Variances**

<b>General Fund Revenues</b>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Property Taxes	\$ 6,433,310	\$ 6,381,305	\$ (52,005)
Transfer from Records Preserv. Fund	81,000	0	(81,000)
Passport Fees	15,000	17,390	2,390
Recording Fees	50,000	32,345	(17,655)
Highway Revenue	157,100	179,998	22,898
Police Department Grants	10,000	301,361	291,361
Police Department Other Revenue	432,200	467,894	35,694
Planning/Zoning	101,325	64,367	(36,958)
Recreation Department	156,111	177,595	21,484
Fire & Rescue Dept.	680,620	368,565	(312,055)
All Other	<u>668,941</u>	<u>705,664</u>	<u>36,723</u>
Total	<u>\$ 8,785,607</u>	<u>\$ 8,696,484</u>	<u>\$ (89,123)</u>
<b>General Fund Expenditures</b>			
Administrative Services	112,510	87,078	25,432
Manager's Office	277,316	216,143	61,173
Audit	17,000	39,745	(22,745)
Property/Liability Insurance	312,000	298,075	13,925
Microfilming & Preservation	81,000	5,626	75,374
Planning/Zoning Projects	56,667	6,640	50,027
Building & Grounds	352,160	334,162	17,998
Public Works	141,128	58,455	82,673
Police Department	1,698,054	1,912,072	(214,018)
Fire Department	416,305	262,792	153,513
Public Safety Disp. Salaries	487,238	521,756	(34,518)
Highway Dept. Paving	300,000	391,092	(91,092)
Traffic Safety Improvements	20,000	7,827	12,173
Highway Road Sand & Salt	105,000	117,799	(12,799)
Shelburne Rescue	509,207	375,012	134,195
Debt Payments	803,419	644,690	158,729
All Other	<u>3,096,603</u>	<u>3,047,915</u>	<u>48,688</u>
Total	<u>\$ 8,785,607</u>	<u>\$ 8,326,879</u>	<u>\$ 458,728</u>
Revenues - Expenditures	<u>\$ -</u>	<u>\$ 369,605</u>	<u>\$ 369,605</u>

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

**General Fund Revenue Variances:**

Total Property Taxes & Late fees were less than budget due to an accounting adjustment for deferred revenue at year end. The transfer from the Records Preservation Fund did not take place due to delay in continuation of a project to create electronic copies of town records. Recording Fees were less than budget reflecting the current level of activity. Highway Dept. revenues and exceeded budget from grant funds received and increased revenue from road excavation permits. Police Dept. grant revenues were greater than budget due to receipt of grants for dispatch equipment and traffic enforcement details. (This variance was offset by corresponding police dept. expenses for these projects.) Revenues from agencies the police department provides dispatching services for exceeded budget for the year. Planning & Zoning revenues were less than budget due to budgeted grant projects not taking place. Recreation revenues exceeded budget from program registration fees. Fire and Rescue grant revenues were less than budget. These departments were not successful in obtaining a grant to replace portable radios, which had been budgeted.

**General Fund Expenditure Variances:**

Administrative services were less than budget due do a delay in replacing/upgrading PC's to windows 10, less use of outside consultants, lower training expense and lower cost of a replacement postage machine. Manager's office expense was less than budget due to lower personnel costs. Audit expense exceeded budget due to extra work required for preparation of the annual audit. Property and Liability insurance premiums were less than budget due to lower renewal premiums. Microfilming & Preservation expenditures were less than budget due to a delay in an electronic document archival project. Planning/Zoning project expenses were less than budget from grant projects budgeted, which did not take place. Building/Grounds expenses were less than budget due to lower utility costs and reduced maintenance costs in the Town Hall, which was being renovated as part of the Library bond project. Public Works expenses were less than budget resulting from a delay in implementation of a stormwater utility. Police Dept. expenses were greater than budget due to grant funded projects. Fire and Rescue Dept. expenditures were less than budget due to an anticipated radio equipment grant that was not received. Shelburne Rescue budget expenditures were also less than budget due to delay in delivery of a new replacement ambulance. Police dispatch expenses were greater than budget due to staff turnover and overtime expense to fill the resulting vacant shifts. Highway paving expense exceeded budget due to receipt of a paving grant, which was not budgeted. Highway sand and salt expense exceeded budget due to winter weather conditions. Debt expense was less than budget due to financing several capital projects from the operating budget instead of securing loans. Interim financing for the Library/Town hall bond project was also less than budget.

**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, 2019 are shown in Schedules 12 & 13.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

<b>WATER FUND</b>	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<b>Favorable (Unfavorable)</b>
Revenues	\$ 1,205,206	\$ 1,269,587	\$ 64,381
Expenses	<u>1,205,206</u>	<u>1,179,144</u>	<u>26,062</u>
Net Income (Loss)	\$ -	\$ 90,443	\$ 90,443

<b>SEWER FUND</b>	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<b>Favorable (Unfavorable)</b>
Revenues	\$ 1,917,942	\$ 1,966,575	\$ 48,633
Expenses	<u>1,917,942</u>	<u>1,822,564</u>	<u>95,378</u>
Net Income (Loss)	\$ -	\$ 144,011	\$ 144,011

**Water Fund**

On a budgetary (non GAAP) basis used for rate setting the Water Fund operating budget ended the year with a surplus of \$90,443, which was better than budget by \$90,443. Revenues from water sales exceeded budget by \$29,493, which was offset by increased purchased water cost. Outside contractor costs were less than budget by \$49,501 due to fewer line breaks and system repairs. Distribution line maintenance cost exceeded budget by \$13,422 from a line corrosion evaluation project that was completed. Meter purchases exceeded budget by \$4,389 from purchasing remote read meters. Debt payments were less than budget by \$34,999 due to paying for capital improvements within the budget instead of financing through loans. A replacement utility truck was also was paid for from the operating funds without being financed.

**Sewer Fund**

On a budgetary (non GAAP) basis used for rate setting, the Sewer Fund operating budget ended the year with a surplus of \$144,011, which was better than budget by \$144,011. Revenues were greater than budget by \$48,633 and expenses were less than budget by \$95,378. User Fees exceeded budget by \$14,458. Revenues from outside septage haulers exceeded budget by \$22,068. Misc. Revenue exceeded budget by \$16,378 from an insurance claim. Electricity expense exceeded budget by \$11,861. Property insurance exceeded budget by \$10,179, which was offset by the insurance claim noted above. Plant maintenance expense was less than budget by \$51,359 due to postponement of maintenance work pending an evaluation of future treatment options. Outside consultant costs were less than budget by \$11,187. Debt service was less than budget by \$15,809 due to timing of a loan payment. Sludge disposal expense exceeded budget by \$14,573. Collection system maintenance expense was less than budget by \$31,337.

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2019, the Town had \$33,951,206 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 increase (including additions, disposals and depreciation) of \$5,902,262 from last year.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

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

	Governmental Activities		Business-type Activities		Totals	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Land	\$ 1,510,571	\$ 1,430,571	\$ 11,000	\$ 11,000	\$ 1,521,571	\$ 1,441,571
Construction in Progress	5,798,342	589,665	0	520,904	5,798,342	1,110,569
Buildings and Improvements	2,866,615	3,069,618	456,468	469,413	3,323,083	3,539,031
Vehicles and Equipment	2,832,292	2,858,873	374,474	368,562	3,206,766	3,227,435
Infrastructure	5,198,568	5,326,823	0	0	5,198,568	5,326,823
Water and Sewer Systems	0	0	14,631,002	13,123,167	14,631,002	13,123,167
Library Collection	271,874	280,347	0	0	271,874	280,347
	<u>\$ 18,478,262</u>	<u>\$ 13,555,897</u>	<u>\$ 15,472,944</u>	<u>\$ 14,493,046</u>	<u>\$ 33,951,206</u>	<u>\$ 28,048,943</u>

*Debt Administration*

At June 30, 2019, the Town had \$10,698,306 in bonds and notes payable outstanding versus \$8,182,266 on June 30, 2018 – an increase of \$2,516,040 – as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Bonds and Notes Payable	\$ <u>5,327,000</u>	\$ <u>3,826,000</u>	\$ <u>5,371,306</u>	\$ <u>4,356,266</u>	\$ <u>10,698,306</u>	\$ <u>8,182,266</u>

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

The Town's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees. One of those factors was the economy and unemployment in the region. Shelburne's unemployment rate was 1.6% in June 2019, compared to 2.0 % in June 2018. These rates remained below the state unemployment rate, which was 2.2% in June 2019 and 3% in June 2018. When adopting the budget for the 2019-2020 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 among the lowest in Chittenden County towns that provide similar services. Shelburne Property values continue to be stable or increasing and the Town's 2019 common level of appraisal was 92.66%. A town-wide reappraisal is planned for 2023. 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 194 permits issued in 2019 compared to 176 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 \$1.55 billion in July 2019, which was an increase of 1.3% from 2018. Of the total grand list, 77% of the total value is from residential properties, 15% is from Commercial, Industrial and utility properties and 8% 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.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

The Selectboard has committed to make economic development a priority in Shelburne in the upcoming year with goals that include driving grand list growth and local business expansion. Efforts will include allocating resources for consultants and/or staff to assist in this initiative, review of land use and zoning by bylaws and ordinances, and engagement of the Shelburne business community in these efforts while preserving the Town's rural character.

As for the Town's business-type activities, the Selectboard approved a sewer user rate of \$13.29/000 gallons effective July 1, 2019, which was a 1.1% increase. A \$3.0 million bond issue was passed in November 2017 to fund necessary equipment and collection system replacements. Work on a collection system project funded from this bond was completed in FY 2018-19.

The water user fee effective July 1, 2019 was held constant from the prior year at \$6.65/000 gallons. 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 the 2020-21 fiscal year raising funds for projects needed to meet the regulatory 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, 2019

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,011,414	\$ 108,759	\$ 3,120,173
Investments	1,342,826	692,732	2,035,558
Receivables (Net of Allowance for Uncollectibles)	1,264,820	825,911	2,090,731
Internal Balances	(648,820)	648,820	0
Prepaid Expenses	106,117	9,725	115,842
Inventory	0	2,500	2,500
Capital Assets:			
Land	1,510,571	11,000	1,521,571
Construction in Progress	5,798,342	0	5,798,342
Other Capital Assets, (Net of Accumulated Depreciation)	11,169,349	15,461,944	26,631,293
 Total Assets	 <u>23,554,619</u>	 <u>17,761,391</u>	 <u>41,316,010</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>418,139</u>	<u>69,259</u>	<u>487,398</u>
 Total Deferred Outflows of Resources	 <u>418,139</u>	 <u>69,259</u>	 <u>487,398</u>
<u>LIABILITIES</u>			
Accounts Payable	1,892,177	264,698	2,156,875
Accrued Payroll and Benefits Payable	90,659	12,929	103,588
Accrued Interest Payable	24,488	9,721	34,209
Unearned Revenue	38,882	10,927	49,809
Bond Anticipation Note Payable	1,605,310	0	1,605,310
Noncurrent Liabilities:			
Due Within One Year	818,500	847,102	1,665,602
Due in More than One Year	5,657,727	4,734,145	10,391,872
 Total Liabilities	 <u>10,127,743</u>	 <u>5,879,522</u>	 <u>16,007,265</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	64,044	0	64,044
Special Assessment	360,000	0	360,000
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>20,766</u>	<u>3,440</u>	<u>24,206</u>
 Total Deferred Inflows of Resources	 <u>444,810</u>	 <u>3,440</u>	 <u>448,250</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	11,545,952	10,101,638	21,647,590
Restricted:			
Recreation	250,355	0	250,355
Cemetery	290,604	0	290,604
Highway Equipment	208,986	0	208,986
Records Preservation	134,159	0	134,159
Library	18,167	0	18,167
Other	152,028	0	152,028
Unrestricted	<u>799,954</u>	<u>1,846,050</u>	<u>2,646,004</u>
 Total Net Position	 <u>\$ 13,400,205</u>	 <u>\$ 11,947,688</u>	 <u>\$ 25,347,893</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, 2019

	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
<b>Functions/Programs:</b>							
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 2,186,243	\$ 423,144	\$ 28,281	\$ 0	\$ (1,734,818)	\$ 0	\$ (1,734,818)
Public Safety	3,145,320	633,114	408,308	20,106	(2,083,792)	0	(2,083,792)
Highways and Public Works	1,853,388	41,545	239,715	31,930	(1,540,198)	0	(1,540,198)
Health and Welfare	41,280	0	0	0	(41,280)	0	(41,280)
Recreation and Parks	506,514	251,125	29,824	0	(225,565)	0	(225,565)
Library	558,799	1,787	21,445	766,860	231,293	0	231,293
Cemetery	53,998	0	0	0	(53,998)	0	(53,998)
Interest on Long-term Debt	133,078	0	0	0	(133,078)	0	(133,078)
<b>Total Governmental Activities</b>	<b>8,478,620</b>	<b>1,350,715</b>	<b>727,573</b>	<b>818,896</b>	<b>(5,581,436)</b>	<b>0</b>	<b>(5,581,436)</b>
<b>Business-Type Activities:</b>							
Water	1,107,618	1,174,146	0	0	0	66,528	66,528
Sewer	1,659,468	1,983,376	4,390	0	0	328,298	328,298
<b>Total Business-Type Activities</b>	<b>2,767,086</b>	<b>3,157,522</b>	<b>4,390</b>	<b>0</b>	<b>0</b>	<b>394,826</b>	<b>394,826</b>
<b>Total Primary Government</b>	<b>\$ 11,245,706</b>	<b>\$ 4,508,237</b>	<b>\$ 731,963</b>	<b>\$ 818,896</b>	<b>(5,581,436)</b>	<b>394,826</b>	<b>(5,186,610)</b>
<b>General Revenues:</b>							
Property Taxes					6,495,372	0	6,495,372
Penalties and Interest on Delinquent Taxes					105,676	0	105,676
General State Grants					189,963	0	189,963
Unrestricted Investment Earnings					2,520	11,031	13,551
Other Revenues					67,704	88,400	156,104
Transfers					(16,328)	16,328	0
<b>Total General Revenues and Transfers</b>					<b>6,844,907</b>	<b>115,759</b>	<b>6,960,666</b>
<b>Change in Net Position</b>					<b>1,263,471</b>	<b>510,585</b>	<b>1,774,056</b>
<b>Net Position - July 1, 2018</b>					<b>12,136,734</b>	<b>11,437,103</b>	<b>23,573,837</b>
<b>Net Position - June 30, 2019</b>					<b>\$ 13,400,205</b>	<b>\$ 11,947,688</b>	<b>\$ 25,347,893</b>

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

TOWN OF SHELBURNE, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Library Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 2,993,298	\$ 0	\$ 18,116	\$ 3,011,414
Investments	902,287	0	440,539	1,342,826
Receivables (Net of Allowance for Uncollectibles)	1,264,820	0	0	1,264,820
Due from Other Funds	0	463,032	1,058,797	1,521,829
Prepaid Expenses	105,107	0	1,010	106,117
Total Assets	\$ 5,265,512	\$ 463,032	\$ 1,518,462	\$ 7,247,006
<u>LIABILITIES</u>				
Accounts Payable	\$ 425,274	\$ 1,461,037	\$ 5,866	\$ 1,892,177
Accrued Payroll and Benefits Payable	90,168	491	0	90,659
Due to Other Funds	2,128,726	0	41,923	2,170,649
Unearned Revenue	38,882	0	0	38,882
Bond Anticipation Note Payable	0	1,605,310	0	1,605,310
Total Liabilities	2,683,050	3,066,838	47,789	5,797,677
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	64,044	0	0	64,044
Unavailable Property Taxes, Penalties and Interest	398,393	0	0	398,393
Unavailable Other Receivables	195,038	0	0	195,038
Special Assessment	360,000	0	0	360,000
Total Deferred Inflows of Resources	1,017,475	0	0	1,017,475
<u>FUND BALANCES</u>				
Nonspendable	105,107	0	1,010	106,117
Restricted	0	0	1,054,299	1,054,299
Committed	473,297	0	181,912	655,209
Assigned	0	0	263,277	263,277
Unassigned/(Deficit)	986,583	(2,603,806)	(29,825)	(1,647,048)
Total Fund Balances/(Deficit)	1,564,987	(2,603,806)	1,470,673	431,854
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,265,512	\$ 463,032	\$ 1,518,462	
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.				18,478,262
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				593,431
Deferred Outflows and Inflows of Resources Related to the Town's Participation in VMERS are applicable to Future Periods and, therefore, are not Reported in the Funds.				397,373
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.				(6,500,715)
Net Position of Governmental Activities				\$ 13,400,205

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, 2019

	General Fund	Library Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 6,468,098	\$ 0	\$ 0	\$ 6,468,098
Penalties & Interest on Delinquent Taxes	58,066	0	0	58,066
Intergovernmental	755,690	0	48,749	804,439
Charges for Services	870,465	0	19,885	890,350
Permits, Licenses & Fees	181,428	0	44,194	225,622
Rental Income	223,363	0	0	223,363
Investment Income/(Loss)	7,269	1,490	(6,239)	2,520
Contributions	0	766,860	59,252	826,112
Other	54,945	0	18,161	73,106
<b>Total Revenues</b>	<b>8,619,324</b>	<b>768,350</b>	<b>184,002</b>	<b>9,571,676</b>
<b>Expenditures:</b>				
General Government	1,817,486	0	0	1,817,486
Public Safety	2,907,580	0	15,012	2,922,592
Highways and Public Works	1,508,057	0	10,000	1,518,057
Cemetery	53,348	0	650	53,998
Health and Welfare	41,280	0	0	41,280
Recreation and Parks	372,523	0	47,873	420,396
Library	386,552	0	105,729	492,281
Capital Outlay:				
Public Safety	329,490	0	39,747	369,237
Highways and Public Works	35,070	0	127,679	162,749
Recreation and Parks	0	0	118,117	118,117
Library	40,215	5,174,048		5,214,263
Debt Service:				
Principal	525,000	0	131,000	656,000
Interest	119,690	0	3,318	123,008
<b>Total Expenditures</b>	<b>8,136,291</b>	<b>5,174,048</b>	<b>599,125</b>	<b>13,909,464</b>
Excess/(Deficiency) of Revenues Over Expenditures	483,033	(4,405,698)	(415,123)	(4,337,788)
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Long-Term Debt	0	2,000,000	157,000	2,157,000
Transfers In	8,019	0	175,076	183,095
Transfers Out	(191,404)	0	(8,019)	(199,423)
<b>Total Other Financing Sources/(Uses)</b>	<b>(183,385)</b>	<b>2,000,000</b>	<b>324,057</b>	<b>2,140,672</b>
Net Change in Fund Balances	299,648	(2,405,698)	(91,066)	(2,197,116)
Fund Balances/(Deficit) - July 1, 2018	1,265,339	(198,108)	1,561,739	2,628,970
Fund Balances/(Deficit) - June 30, 2019	\$ 1,564,987	\$ (2,603,806)	\$ 1,470,673	\$ 431,854

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, 2019

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)	\$ (2,197,116)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$5,864,366) is allocated over their estimated useful lives and reported as depreciation expense (\$902,602). This is the amount by which capital outlays exceeded depreciation in the current period.	4,961,764
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, loss on disposals and donations) is to decrease net position.	(39,399)
The issuance of long-term debt (\$2,157,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$656,000) 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.	(1,501,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	186,745
Governmental Funds report pension contributions as expenditures (\$125,171). However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions (\$240,176) is reported as pension expense. This amount is due to the net effect of the differences in the treatment of pension expense.	(115,005)
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>(32,518)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,263,471</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, 2019

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 108,759	\$ 0	\$ 108,759
Investments	496,976	195,756	692,732
Receivables (Net of Allowance for Uncollectibles)	302,532	523,379	825,911
Due from Other Funds	0	1,253,571	1,253,571
Prepaid Expenses	2,384	7,341	9,725
Inventory	2,500	0	2,500
Total Current Assets	913,151	1,980,047	2,893,198
Noncurrent Assets:			
Land	0	11,000	11,000
Buildings and Building Improvements	41,989	1,696,320	1,738,309
Vehicles, Machinery and Equipment	175,050	508,999	684,049
Distribution/Collection Systems	4,989,489	19,028,944	24,018,433
Less: Accumulated Depreciation	(2,085,898)	(8,892,949)	(10,978,847)
Total Noncurrent Assets	3,120,630	12,352,314	15,472,944
Total Assets	4,033,781	14,332,361	18,366,142
Deferred Outflows of Resources:			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	14,661	54,598	69,259
Total Deferred Outflows of Resources	14,661	54,598	69,259
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	45,263	219,435	264,698
Accrued Payroll	4,485	8,444	12,929
Accrued Interest Payable	4,782	4,939	9,721
Unearned Revenue	7,038	3,889	10,927
Due to Other Funds	604,751	0	604,751
Bonds and Notes Payable - Current Portion	110,000	737,102	847,102
Total Current Liabilities	776,319	973,809	1,750,128
Noncurrent Liabilities:			
Compensated Absences Payable	38,273	23,737	62,010
Net Pension Liability	31,315	116,616	147,931
Bonds and Notes Payable - Noncurrent Portion	725,000	3,799,204	4,524,204
Total Noncurrent Liabilities	794,588	3,939,557	4,734,145
Total Liabilities	1,570,907	4,913,366	6,484,273
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	728	2,712	3,440
Total Deferred Inflows of Resources	728	2,712	3,440
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,285,630	7,816,008	10,101,638
Unrestricted	191,177	1,654,873	1,846,050
Total Net Position	\$ 2,476,807	\$ 9,470,881	\$ 11,947,688

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, 2019

	Water Fund	Sewer Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Revenues:			
Charges for Services	\$ 1,120,394	\$ 1,921,541	\$ 3,041,935
Penalties & Interest	9,372	17,401	26,773
Meter Reading Reimbursement from Sewer Fund	16,000	0	16,000
Miscellaneous	<u>28,380</u>	<u>11,305</u>	<u>39,685</u>
 Total Operating Revenues	 <u>1,174,146</u>	 <u>1,950,247</u>	 <u>3,124,393</u>
Operating Expenses:			
Salaries and Wages	203,315	352,873	556,188
Administrative Charges	46,459	46,459	92,918
Meter Reading Charges	0	16,000	16,000
Benefits	83,776	162,432	246,208
Insurance	19,002	68,179	87,181
Professional Services	0	20,713	20,713
Utilities	0	238,129	238,129
Sludge Removal	0	89,573	89,573
Water Supply & Engineering	424,822	0	424,822
Maintenance	178,377	136,023	314,400
Chemicals	0	52,372	52,372
Depreciation	101,670	446,622	548,292
Other Operating Expenses	<u>19,459</u>	<u>17,926</u>	<u>37,385</u>
 Total Operating Expenses	 <u>1,076,880</u>	 <u>1,647,301</u>	 <u>2,724,181</u>
 Operating Income	 <u>97,266</u>	 <u>302,946</u>	 <u>400,212</u>
Non-Operating Revenues/(Expenses):			
Water Tank Revenue	88,400	0	88,400
Investment Income	7,040	3,991	11,031
Interest Expense	<u>(30,738)</u>	<u>(12,167)</u>	<u>(42,905)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>64,702</u>	 <u>(8,176)</u>	 <u>56,526</u>
Capital Contributions and Transfers:			
Transfers In	0	16,328	16,328
Capital Contributions - Connection Fees	<u>0</u>	<u>37,519</u>	<u>37,519</u>
 Total Capital Contributions and Transfers	 <u>0</u>	 <u>53,847</u>	 <u>53,847</u>
 Change in Net Position	 161,968	 348,617	 510,585
 Net Position - July 1, 2018	 <u>2,314,839</u>	 <u>9,122,264</u>	 <u>11,437,103</u>
 Net Position - June 30, 2019	 <u>\$ 2,476,807</u>	 <u>\$ 9,470,881</u>	 <u>\$ 11,947,688</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, 2019

	Water Fund	Sewer Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 1,137,434	\$ 1,944,251	\$ 3,081,685
Receipts from Interfund Services	16,000	0	16,000
Other Receipts	28,380	11,305	39,685
Payments for Goods and Services	(647,835)	(636,462)	(1,284,297)
Payments for Interfund Services	(46,459)	(62,459)	(108,918)
Payments for Wages and Benefits	(283,729)	(474,796)	(758,525)
<b>Net Cash Provided by Operating Activities</b>	<b>203,791</b>	<b>781,839</b>	<b>985,630</b>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Water Tank Rental Revenue	88,400	0	88,400
Transfers from Other Funds	0	16,328	16,328
Decrease/(Increase) in Due from Other Funds	(170,232)	(465,385)	(635,617)
<b>Net Cash Provided/(Used) by Noncapital Financing Activities</b>	<b>(81,832)</b>	<b>(449,057)</b>	<b>(530,889)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Proceeds of Long-Term Debt	0	1,692,638	1,692,638
Capital Contributions-Connection Fees	0	37,519	37,519
Acquisition and Construction of Capital Assets	(45,593)	(1,482,597)	(1,528,190)
Principal Paid on:			
General Obligation Bonds	(110,000)	(567,598)	(677,598)
Interest Paid on:			
General Obligation Bonds	(31,429)	(12,744)	(44,173)
<b>Net Cash Provided/(Used) by Capital and Related Financing Activities</b>	<b>(187,022)</b>	<b>(332,782)</b>	<b>(519,804)</b>
<b>Cash Flows from Investing Activities:</b>			
Net Change in Certificates of Deposit	23,163	(3,991)	19,172
Receipt of Interest	7,040	3,991	11,031
<b>Net Cash Provided/(Used) by Investing Activities</b>	<b>30,203</b>	<b>0</b>	<b>30,203</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>(34,860)</b>	<b>0</b>	<b>(34,860)</b>
Cash - July 1, 2018	143,619	0	143,619
Cash - June 30, 2019	<u>\$ 108,759</u>	<u>\$ 0</u>	<u>\$ 108,759</u>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:</b>			
Operating Income	\$ 97,266	\$ 302,946	\$ 400,212
Depreciation	101,670	446,622	548,292
(Increase)/Decrease in Receivables	11,925	5,309	17,234
Increase/(Decrease) in Accounts Payable	(6,712)	(10,522)	(17,234)
(Increase)/Decrease in Prepaid Expenses	537	(3,025)	(2,488)
Increase/(Decrease) in Pension Liabilities	3,628	40,254	43,882
(Increase)/Decrease in Deferred Outflows of Resources	742	(8,349)	(7,607)
Increase/(Decrease) in Accrued Payroll	274	1,369	1,643
Increase/(Decrease) in Compensated Absences Payable	(1,325)	6,413	5,088
Increase/(Decrease) in Unearned Revenue	(4,257)	0	(4,257)
Increase/(Decrease) in Deferred Inflows of Resources	43	822	865
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 203,791</b>	<b>\$ 781,839</b>	<b>\$ 985,630</b>

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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, 2019

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 funds:

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.

Library Construction Fund – This fund accounts for the capital expenditures related to the library building.

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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

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

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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

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

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

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

#### **1. Cash**

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

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

#### **2. Investments**

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

#### **3. Receivables**

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

#### **4. Internal Balances**

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

#### **5. Inventories and Prepaid Expenses**

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

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

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

#### **6. Pensions**

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. 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.

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**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.

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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**10. Long-term Liabilities**

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

**11. Fund Equity**

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

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

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

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

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.

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

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

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2019 consisted of the following:

Cash:		
Deposits with Financial Institutions		<u>\$3,120,173</u>
Investments:		
Certificates of Deposit		1,740,929
Common Stock		88,278
Mutual Funds		<u>206,351</u>
Total Investments		<u>2,035,558</u>
Total Cash and Investments		<u>\$5,155,731</u>

The Town has fourteen (14) certificates of deposit at various banks with interest rates ranging from .75% to 3.105%. The certificates of deposit mature in the following fiscal years:

2020	\$ 973,570
2021	<u>767,359</u>
	<u>\$1,740,929</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**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 cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 1,366,815	\$1,353,336
Uninsured, Collateralized by U.S. Government Securities Held by the Bank, In the Bank's Name for the Benefit of the Town	2,957,145	3,132,940
Uninsured, Collateralized by Mortgage Loans Held in the Bank's Name	<u>537,142</u>	<u>537,141</u>
Total	<u>\$ 4,861,102</u>	<u>\$5,023,417</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	\$3,120,173
Investments – Certificates of Deposit	<u>1,740,929</u>
Total	<u>\$4,861,102</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, 2019

**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 are exempt from concentration of credit risk disclosure. The mutual funds are open-ended and, therefore, are also excluded from concentration of credit risk disclosure.

**Fair Value Measurements**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets as follows:

Level 1: Inputs are quoted prices for identical investments in active markets

Level 2: Observable inputs other than quoted market prices

Level 3: Unobservable inputs

The fair value measurement at June 30, 2019 for the Town's investments is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Common Stock	\$ 88,278	\$ 88,278	\$ 0	\$ 0
Mutual Funds	<u>206,351</u>	<u>206,351</u>	<u>0</u>	<u>0</u>
 Total Investments by Fair Value Level	 <u>\$ 294,629</u>	 <u>\$ 294,629</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

**B. Receivables**

Receivables as of June 30, 2019, 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	\$ 371,059	\$ 0	\$ 371,059
Penalties and Interest	135,038	0	135,038
Billed Services	147,061	109,714	256,775
Unbilled Services	0	682,009	682,009
Grants	95,350	4,390	99,740
Special Assessment - Beaver Creek Infrastructure	360,000	0	360,000
Miscellaneous	156,312	39,798	196,110
Allowance for Doubtful Accounts - Sewer	0	(10,000)	(10,000)
Total	<u>\$ 1,264,820</u>	<u>\$ 825,911</u>	<u>\$ 2,090,731</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**C. Loans Receivable**

Loans receivable as of June 30, 2019 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, 2019	<u><u>\$ 0</u></u>

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,430,571	\$ 80,000	\$ 0	\$ 1,510,571
Construction in Progress	589,665	5,208,677	0	5,798,342
Total Capital Assets, Not Being Depreciated	2,020,236	5,288,677	0	7,308,913
Capital Assets, Being Depreciated:				
Buildings and Land Improvements	9,672,641	141,189	61,428	9,752,402
Vehicles and Equipment	5,970,320	413,461	119,400	6,264,381
Infrastructure	6,740,875	35,070	0	6,775,945
Library Collection	471,228	24,535	51,300	444,463
Totals	22,855,064	614,255	232,128	23,237,191
Less Accumulated Depreciation for:				
Buildings and Land Improvements	6,603,023	304,793	22,029	6,885,787
Vehicles and Equipment	3,111,447	401,476	80,834	3,432,089
Infrastructure	1,414,052	163,325	0	1,577,377
Library Collection	190,881	33,008	51,300	172,589
Totals	11,319,403	902,602	154,163	12,067,842
Total Capital Assets, Being Depreciated	11,535,661	(288,347)	77,965	11,169,349
Governmental Activities Capital Assets, Net	\$ 13,555,897	\$ 5,000,330	\$ 77,965	\$ 18,478,262

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,000	\$ 0	\$ 0	\$ 11,000
Construction in Progress	520,904	0	520,904	0
Total Capital Assets, Not Being Depreciated	531,904	0	520,904	11,000
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,719,013	19,296	0	1,738,309
Vehicles, Machinery and Equipment	638,456	45,593	0	684,049
Distribution and Collection Systems	22,034,228	1,984,205	0	24,018,433
Totals	24,391,697	2,049,094	0	26,440,791
Less Accumulated Depreciation for:				
Buildings and Building Improvements	1,249,600	32,241	0	1,281,841
Vehicles, Machinery and Equipment	269,894	39,681	0	309,575
Distribution and Collection Systems	8,911,061	476,370	0	9,387,431
Totals	10,430,555	548,292	0	10,978,847
Total Capital Assets, Being Depreciated	13,961,142	1,500,802	0	15,461,944
Business-Type Activities Capital Assets, Net	\$ 14,493,046	\$ 1,500,802	\$ 520,904	\$ 15,472,944

Depreciation was charged as follows:

		Business-Type Activities:	
General Government	\$ 224,785	Water	\$ 101,670
Public Safety	222,728	Sewer	446,622
Highways and Public Works	335,331		
Recreation and Parks	86,118		
Library	33,640		
Total Depreciation Expense - Governmental Activities	\$ 902,602	Total Depreciation Expense - Business-Type Activities	\$ 548,292

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2019 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 2,128,726
Library Construction Fund	463,032	0
Non-Major Governmental Funds	1,058,797	41,923
Water Fund	0	604,751
Sewer Fund	1,253,571	0
Total	\$ 2,775,400	\$ 2,775,400

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Interfund transfers during the year ended June 30, 2019 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Bay Park Fund	\$ 23,161	Annual Appropriation
General Fund	Police Fund	32,000	Annual Appropriation
General Fund	Highway Equipment Fund	85,500	Annual Appropriation
General Fund	Special Revenue Miscellaneous Fund	3,600	Annual Appropriation
General Fund	Special Revenue Recreation Funds	815	Annual Appropriation
General Fund	Open Land Trust Fund	30,000	Annual Appropriation
General Fund	Sewer Fund	16,328	Fund Stormwater Expenses
Non-Major Funds:			
Recreation (Baseball Fund)	General Fund	<u>8,019</u>	Reimburse Expenditures in General Fund
Total		<u>\$ 199,423</u>	

**F. Deferred Outflows of Resources**

Deferred outflows of resources in the Governmental Activities consists of \$77,576 from the difference between the expected and actual experience, \$98,900 from changes in assumptions, \$103,507 from the difference between the projected and actual investment earnings, \$12,985 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 \$125,171 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 \$418,139.

Deferred outflows of resources in the Business-type Activities consists of \$12,849 from the difference between the expected and actual experience, \$16,381 from changes in assumptions, \$17,145 from the difference between the projected and actual investment earnings, \$2,151 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 \$20,733 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 \$69,259.

Deferred outflows of resources in the Water Fund consists of \$2,720 from the difference between the expected and actual experience, \$3,468 from changes in assumptions, \$3,629 from the difference between the projected and actual investment earnings, \$455 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 \$4,389 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 \$14,661.

Deferred outflows of resources in the Sewer Fund consists of \$10,129 from the difference between the expected and actual experience, \$12,914 from changes in assumptions, \$13,515 from the difference between the projected and actual investment earnings, \$1,696 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 \$16,344 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 \$54,598.

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**G. Unearned Revenue**

Unearned revenue in the General Fund consists of \$7,577 of rent and \$31,305 of recreation revenues received in advance.

Unearned revenue in the Water Fund consists of \$7,038 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 2020 as fees are billed.

**H. Deferred Inflows of Resources**

Deferred inflows of resources in the Governmental Activities consists of \$64,044 of prepaid property taxes, \$360,000 of special assessments, \$14,280 from the difference between expected and actual experience and \$6,486 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) as further described in Note V.A.1. Total deferred inflows of resources in the Governmental Activities is \$444,810.

Deferred inflows of resources in the General Fund consists of \$398,393 of delinquent property taxes, penalties and interest on those taxes and \$195,038 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 \$64,044 of prepaid property taxes and \$360,000 of special assessments. Total deferred inflows of resources in the General Fund is \$1,017,475.

Deferred inflows of resources in the Business-type Activities consists of \$2,366 from the difference between the expected and actual experience and \$1,074 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), as further described in Note V.A.1. Total deferred inflows of resources in the Business-type activities is \$3,440.

Deferred inflows of resources in the Water Fund consists of \$501 from the difference between the expected and actual experience and \$227 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), as further described in Note V.A.1. Total deferred inflows of resources in the Water Fund is \$728.

Deferred inflows of resources in the Sewer Fund consists of \$1,865 from the difference between the expected and actual experience and \$847 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), as further described in Note V.A.1. Total deferred inflows of resources in the Sewer Fund is \$2,712.

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**I. Bond Anticipation Note**

The Town borrowed funds on a short-term basis as follows in anticipation of permanent funding for the library project.

	Beginning Balance	Additions	Reductions	Ending Balance
Union Bank, \$1,000,000 Line of Credit, 1.19%, Due and Paid December 20, 2018.	\$ 415,000	\$ 0	\$ 415,000	\$ 0
National Bank of Middlebury, 2.5 Million Bond Anticipation Note, 2.75%, Due November 16, 2019, Paid September 5, 2019.	0	1,605,310	0	1,605,310
	\$ 415,000	\$ 1,605,310	\$ 415,000	\$ 1,605,310

**J. 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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Long-term liabilities outstanding as of June 30, 2019 were as follows:

Governmental Activities	Total	Due in One Year
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.	\$ 705,000	\$ 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.	100,000	20,000
Recreation facilities and sand/salt shed bond payable to Vermont Municipal Bond Bank, annual principal payments of \$75,000, plus semi-annual interest payments at 3% to 4.49%, due November 1, 2025.	525,000	75,000
Library/Town Hall bond payable to Vermont Municipal Bond Bank, Annual principal payments of \$100,000 plus semi-annual interest payments at 1.7% to 4.17% Due November 1, 2038.	2,000,000	100,000
Capital Improvement (Fire truck, Beach seawall, Webster Road Path) bond payable, Vermont Municipal Bond Bank, annual principal payments of \$15,000 to \$75,000, plus semi-annual interest payments at 2.454% to 3.426%, matures December 1, 2030.	330,000	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.	360,000	30,000
Capital Improvement (bike/pedestrian path/ sidewalk, Webster Road, Harbor Road) bond payable, Vermont Municipal Bond Bank, annual principal payments of \$25,000, plus semi-annual interest payments at 1.098% to 3.0%, matures November 15, 2022.	100,000	25,000
Capital Improvement (Fire truck) bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$65,000, plus semi-annual interest payments at 1.78% to 3.49%, matures November 1, 2032.	905,000	65,000
Capital equipment (truck) note payable to Union Bank, Annual principal payment of \$28,500, plus annual interest payments at 2.15%, matures September 5, 2020.	57,000	28,500
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payment of \$40,000, plus annual interest payments at 2.31%, matures February 11, 2020.	20,000	20,000

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

<u>Governmental Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Capital improvement (Town Center) note payable to Union Bank, principal and interest at 2.1%, due June 13, 2020.	\$ 90,000	\$ 90,000
Capital equipment (truck) note payable to Union Bank, principal and interest at 2.25%, due on June 13, 2020.	35,000	35,000
Capital improvement (wheel loader), note payable to the Vermont State Municipal Loan Fund, annual principal payments of \$20,000 plus interest at 2%, due December 31, 2023.	<u>100,000</u>	<u>20,000</u>
Total long-term bonds and notes payable	<u>\$ 5,327,000</u>	<u>\$ 818,500</u>
<u>Business-Type Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Sewer Fund		
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available \$7,495,636, non-interest bearing, annual principal payments of \$355,266.	\$ 1,421,066	\$ 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.	62,093	5,111
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.	515,871	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.	202,590	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, due April 1, 2027.	312,908	36,457
Bond payable, State of Vermont Special Environmental Revolving Fund, administrative fee of 2%, annual principal and administrative fee payments of \$9,371, due September 2031.	106,349	7,244
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, due July 1, 2025.	87,240	14,063

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Business-Type Activities	Total	Due in One Year
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available \$2,014,153 non-interest bearing, 2% administrative fee, annual principal payments of \$120,115 beginning July, 2019, matures July, 2038	\$ 1,726,689	\$ 80,834
Capital equipment (trucks) note payable to the National Bank of Middlebury, interest at 1.93%, annual principal payment of \$101,500, matures December 18, 2019.	<u>101,500</u>	<u>101,500</u>
Total Sewer Fund long-term bond and notes payable	<u>4,536,306</u>	<u>737,102</u>
Water Fund		
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$50,000 to \$55,000, plus semi-annual interest payments at 3.57% to 4.69%, matures November 1, 2023.	270,000	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.	10,000	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.	220,000	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>335,000</u>	<u>25,000</u>
Total Water Fund long-term bond and notes payable	<u>835,000</u>	<u>110,000</u>
Total Business-type Activities	<u>\$ 5,371,306</u>	<u>\$ 847,102</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Maturities of bonds and notes payable are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 818,500	\$ 106,115	\$ 924,615	\$ 847,102	\$ 80,323	\$ 927,425
2021	673,500	121,688	795,188	748,914	70,561	819,475
2022	590,000	114,615	704,615	745,125	66,842	811,967
2023	355,000	106,440	461,440	747,151	53,823	800,974
2024	330,000	91,348	421,348	338,192	55,132	393,324
2025-2029	1,215,000	338,659	1,553,659	985,087	180,663	1,165,750
2030-2034	845,000	165,916	1,010,916	630,943	94,699	725,642
2035-2039	500,000	49,205	549,205	328,792	27,398	356,190
<b>Total</b>	<b>\$ 5,327,000</b>	<b>\$ 1,093,986</b>	<b>\$ 6,420,986</b>	<b>\$ 5,371,306</b>	<b>\$ 629,441</b>	<b>\$ 6,000,747</b>

Changes in long-term liabilities for the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable	\$ 3,826,000	\$ 2,157,000	\$ 656,000	\$ 5,327,000	\$ 818,500
Compensated Absences	233,677	22,446	0	256,123	0
Net Pension Liability	807,431	85,673	0	893,104	0
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 4,867,108</b>	<b>\$ 2,265,119</b>	<b>\$ 656,000</b>	<b>\$ 6,476,227</b>	<b>\$ 818,500</b>
<b>Business-Type Activities</b>					
Bonds and Notes Payable	\$ 4,356,266	\$ 1,692,638	\$ 677,598	\$ 5,371,306	\$ 847,102
Compensated Absences	56,922	5,088	0	62,010	0
Net Pension Liability	104,049	43,882	0	147,931	0
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$ 4,517,237</b>	<b>\$ 1,741,608</b>	<b>\$ 677,598</b>	<b>\$ 5,581,247</b>	<b>\$ 847,102</b>

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**K. Fund Balances**

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

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

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

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

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

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

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

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

The fund balance in the following funds are nonspendable as follows:

Major Funds

General Fund:

Prepaid Expenses \$ 105,107

Non-Major Funds

Recreation Special Revenue Fund:

Prepaid Expenses 1,010

Total Nonspendable Fund Balances \$ 106,117

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) \$ 174,175

Restricted for Records Preservation Expenses by Statute  
 (Source of Revenue is Fees) 134,159

Other Restrictions by Donations  
 (Source of Revenue is Donations) 34,743

Total Special Revenue Funds 343,077

Capital Project Funds:

Restricted for Highway Equipment Replacement 208,986  
 Expenditures by Statute 8,960

Restricted for Fire Truck by Donations 108,325  
 Restricted for Police by Grant Agreements and Donations 108,325

Total Capital Project Funds 326,271

Permanent Funds:

Restricted for Library Endowment by Trust Agreements 18,167

Restricted for Cemetery Fund by Trust Agreements 290,604

Restricted for Lillian Davis Memorial Fund by Bequest 76,180

Total Permanent Funds 384,951

Total Non-Major Funds 1,054,299

Total Restricted Fund Balances \$ 1,054,299

\* The nonspendable portion of the Permanent Funds is unknown.

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

The fund balances in the following funds are committed as follows:

Major Fund

General Fund:

Committed for Ambulance and Rescue Operations by Voters	\$ <u>473,297</u>
--	-------------------

Non-Major Funds

Special Revenue Funds:

Committed for Cemetery Tractor by Voters	<u>12,527</u>
--	---------------

Total Special Revenue Funds	<u>12,527</u>
-----------------------------	---------------

Capital Projects Funds:

Committed for Open Land by Voters	121,155
-----------------------------------	---------

Committed for Bay Park by Voters	34,180
----------------------------------	--------

Committed for Police Equipment by Voters	<u>14,050</u>
--	---------------

Total Capital Project Funds	<u>169,385</u>
-----------------------------	----------------

Total Non-Major Funds	<u>181,912</u>
-----------------------	----------------

Total Committed Fund Balances	\$ <u><u>655,209</u></u>
-------------------------------	--------------------------

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>240,149</u>
--	-------------------

Capital Projects Funds:

Assigned for Highway Salt Shed Expenditures	<u>23,128</u>
---	---------------

Total Assigned Fund Balances	\$ <u><u>263,277</u></u>
------------------------------	--------------------------

The negative unassigned fund balance of \$29,825 in the Pinehaven Storm Water Fund will be funded with future grant revenue.

The negative unassigned fund balance of \$2,603,806 in the Library Construction Fund will be funded with future bond proceeds.

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**L. Restricted and Designated Net Position**

The restricted net position of the Town as of June 30, 2019 consisted of the following:

Governmental Activities:

Restricted for Recreation by Grant Agreements	\$	174,175
Restricted for Records Preservation Expenses by Statute		134,159
Restricted for Other Purposes by Donations		34,743
Restricted for Highway Equipment Replacement Expenditures by Statute		208,986
Restricted for Police by Grant Agreements and Donations		108,325
Restricted for Fire by Donations		8,960
Restricted for Cemetery by Trust Agreements		290,604
Restricted for Library by Trust Agreements		18,167
Restricted for Recreation Projects (Lillian Davis Memorial) by Bequest		76,180
Total Governmental Activities	\$	1,054,299

The designated net position of the Town's Proprietary Funds as of June 30, 2019 consisted of the following:

Water Fund:		
Designated for Water Capital Projects	\$	69,346
Total Water Fund		69,346
Sewer Fund:		
Designated for Sewer Capital Projects		417,979
Designated for Future Sewer Capital Projects		284,101
Total Sewer Fund		702,080
Total Business-type Activities	\$	771,426

**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, 2019, the retirement system consisted of 402 participating employers.

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net pension liability of \$140,675,892. As of June 30, 2019, the Town’s proportionate share of this was .7400% resulting in a liability of \$1,041,035. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town’s proportion of .7400% was an decrease of .0123% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$298,050.

As of June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 90,425	\$ 16,646
Changes in proportional share of contributions	15,136	7,560
Difference between projected and actual earnings on pension plan investments	120,652	0
Changes in Assumptions	115,281	0
Town's required employer contributions made subsequent to the measurement date	145,904	0
	\$ 487,398	\$ 24,206

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

The deferred outflows of resources resulting from the Town’s required employer contributions made subsequent to the measurement date in the amount of \$145,904 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending	
June 30	
2020	\$ 201,098
2021	73,165
2022	19,883
2023	<u>23,142</u>
Total	<u>\$ 317,288</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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

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 – 5.000%. Group C – 10.125%.

Employer Contributions: Group B – 5.625%. Group C – 7.375%.

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

**Significant Actuarial Assumptions and Methods**

Interest Rate: 7.50%, net of pension plan investment expenses, including inflation.

Salary Increases: 5% per year.

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Mortality:

Death in Active Service: Groups B and C – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement.

Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement.

Disabled Post-Retirement: Groups B and C – RP-2006 Disabled Mortality Table with generational.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B and C members (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.3% for all groups.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: 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 market value of assets by more than 20%.

Inflation: 2.50%.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	2.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate:

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$1,763,278	\$1,041,035	\$453,651

**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 form 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 \$1,013,957 and pension expense was \$51,966.

TOWN OF SHELBURNE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**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.

The Town 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 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 2019 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	\$ .4197	\$ .4197
Veterans Exemption	.0006	.0006
Education	<u>1.5246</u>	<u>1.6488</u>
Total	<u>\$1.9449</u>	<u>\$2.0691</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, 2019 is \$109,858.

TOWN OF SHELBURNE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**E. Contingent Liabilities**

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

**F. Commitments**

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. In fiscal year 2019, \$2,000,000 in bonds were issued at 1.7 to 4.17% interest to be repaid over 20 years.

**G. 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. As of June 2019, the Vermont Special Environmental Revolving Fund had approved \$2,014,153 in bonds through the Vermont Municipal Bond Bank at zero percent interest and 2% administrative fees with \$50,100 of principal forgiveness. The balance drawn at June 30, 2019 was \$1,726,689.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
<b>Property Taxes:</b>			
Property Taxes	\$ 6,433,310	\$ 6,381,305	\$ (52,005)
Special Assessments	44,135	44,135	0
Late Homestead Filing	13,000	16,141	3,141
Penalties	42,400	42,658	258
Interest Income	40,000	41,925	1,925
<b>Total Property Taxes</b>	<b>6,572,845</b>	<b>6,526,164</b>	<b>(46,681)</b>
<b>Administration Revenue:</b>			
Animal Licenses	6,000	5,906	(94)
Animal Licenses Transfer to Dog Park Fund	(800)	(815)	(15)
Liquor Licenses	2,865	2,955	90
Marriage/Civil Union Licenses	550	470	(80)
Recording Fees	50,000	32,345	(17,655)
Passport Fees and Photos	15,000	17,390	2,390
Miscellaneous	300	1,616	1,316
Copier Use	7,000	6,991	(9)
Vital Statistics Copies	4,000	3,940	(60)
Green Mountain Passport	175	166	(9)
Vehicle Registration	300	234	(66)
Other Fees	800	953	153
Transfer from Records Preservation Fund	81,000	0	(81,000)
<b>Total Administration Revenue</b>	<b>167,190</b>	<b>72,151</b>	<b>(95,039)</b>
<b>Highway Revenue:</b>			
Received for State Aid/Grant	145,000	145,123	123
Pond Rd. Grant	0	11,930	11,930
Permits	12,100	18,410	6,310
Other	0	4,535	4,535
<b>Total Highway Revenue</b>	<b>157,100</b>	<b>179,998</b>	<b>22,898</b>
<b>Police Department Revenue:</b>			
Judicial Fees	60,000	25,685	(34,315)
Special Duty Reimbursement	17,000	35,054	18,054
Public Safety Grants	10,000	301,361	291,361
Dispatch Contracts	257,000	275,900	18,900
E911 Operation Grant	76,200	114,316	38,116
Other	22,000	16,939	(5,061)
<b>Total Police Department Revenue</b>	<b>442,200</b>	<b>769,255</b>	<b>327,055</b>
<b>Cemetery Revenue:</b>			
Transfer from Cemetery Fund	0	0	0
Cemetery Other	6,200	5,600	(600)
<b>Total Cemetery Revenue</b>	<b>6,200</b>	<b>5,600</b>	<b>(600)</b>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Planning and Zoning Revenue:			
Permits and Fees	\$ 71,325	\$ 64,367	\$ (6,958)
Grant Revenue	<u>30,000</u>	<u>0</u>	<u>(30,000)</u>
Total Planning and Zoning Revenue	<u>101,325</u>	<u>64,367</u>	<u>(36,958)</u>
Water and Sewer Revenue:			
Water Department Administration	46,459	46,459	0
Sewer Department Administration	<u>46,459</u>	<u>46,459</u>	<u>0</u>
Total Water and Sewer Revenue	<u>92,918</u>	<u>92,918</u>	<u>0</u>
Recreation Department Revenue:			
Sale of Beach Stickers	16,075	19,052	2,977
Fees and Recreation Programs	127,736	151,189	23,453
Transfer from Recreation (Baseball) Fund	<u>12,300</u>	<u>7,354</u>	<u>(4,946)</u>
Total Recreation Department Revenue	<u>156,111</u>	<u>177,595</u>	<u>21,484</u>
Library Revenue:	<u>0</u>	<u>1,787</u>	<u>1,787</u>
Financial Management Investment Interest:	<u>500</u>	<u>7,269</u>	<u>6,769</u>
Rescue Income:			
Other Rescue Income	2,000	2,087	87
Transfer from Ambulance Fund	<u>507,207</u>	<u>361,374</u>	<u>(145,833)</u>
Total Rescue Income	<u>509,207</u>	<u>363,461</u>	<u>(145,746)</u>
Miscellaneous Revenue:			
Fire Grants, Donations and Miscellaneous	171,413	5,104	(166,309)
Miscellaneous	5,348	17,489	12,141
Payment in Lieu of Taxes	6,300	7,003	703
State Current Use Tax Payment	122,000	130,762	8,762
Act 60 Administration	49,000	52,198	3,198
Cellular Tower Fees	22,100	31,306	9,206
Transfer from Recreation Impact Fees	7,000	0	(7,000)
Mooring Fees	51,000	52,055	1,055
CSSU Village Center Lease	71,000	71,000	0
CSSU Building Maintenance Allocation	41,000	40,965	(35)
Use of Town Hall/Town Center	5,000	301	(4,699)
Pierson Library Building Lease	<u>28,850</u>	<u>27,736</u>	<u>(1,114)</u>
Total Miscellaneous Revenue	<u>580,011</u>	<u>435,919</u>	<u>(144,092)</u>
Total Revenues	<u>8,785,607</u>	<u>8,696,484</u>	<u>(89,123)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Selectboard:			
Salaries	\$ 6,300	\$ 6,300	\$ 0
FICA	0	482	(482)
Selectboard's Expenses	8,000	6,356	1,644
VLCT Dues	9,711	9,323	388
Town Reports	3,300	1,255	2,045
<b>Total Selectboard</b>	<b>27,311</b>	<b>23,716</b>	<b>3,595</b>
<b>Legal Services:</b>	<b>60,000</b>	<b>59,585</b>	<b>415</b>
Administration - Municipal Offices:			
Office Supplies	8,500	7,743	757
Computer Hardware	10,000	5,820	4,180
Telephone	5,900	7,567	(1,667)
Computer Software	14,110	10,723	3,387
Technical Assistance	15,000	5,290	9,710
Training	7,000	2,965	4,035
Office Equipment and Repair	2,000	768	1,232
Postage	21,000	14,300	6,700
Copier Expense	8,000	8,683	(683)
Computer Technical Assistance	19,000	20,889	(1,889)
Town Office Internet	2,000	2,330	(330)
<b>Total Administration - Municipal Offices</b>	<b>112,510</b>	<b>87,078</b>	<b>25,432</b>
Town Manager:			
Salaries	203,887	152,554	51,333
Benefits and Other Insurance	62,629	32,904	29,725
Manager's Expenses	7,300	4,840	2,460
Vehicle Expense	2,500	3,747	(1,247)
Town Manager Search	0	20,101	(20,101)
Emergency Management	1,000	1,997	(997)
<b>Total Town Manager</b>	<b>277,316</b>	<b>216,143</b>	<b>61,173</b>
Elections:			
Salaries	7,800	5,803	1,997
Election Expense	7,200	4,852	2,348
BCA Expenses	1,000	445	555
<b>Total Elections</b>	<b>16,000</b>	<b>11,100</b>	<b>4,900</b>
Finance and Insurance:			
Salaries	147,448	146,990	458
Benefits and Other Insurance	48,440	72,957	(24,517)
Property and Liability Insurance	318,000	302,643	15,357
Insurance Claims - Deductible	5,000	3,162	1,838
Auditing	17,000	39,745	(22,745)
<b>Total Finance and Insurance</b>	<b>535,888</b>	<b>565,497</b>	<b>(29,609)</b>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Town Clerk/Treasurer:</b>			
Salaries	\$ 136,416	\$ 140,654	\$ (4,238)
Benefits and Other Insurance	43,357	36,453	6,904
Town Clerk/Treasurer Expense	3,000	2,446	554
Office Expenses	11,300	8,859	2,441
Records Automation	21,000	5,626	15,374
Microfilming and Preservation	60,000	0	60,000
Computer Software	500	0	500
<b>Total Town Clerk/Treasurer</b>	<b>275,573</b>	<b>194,038</b>	<b>81,535</b>
<b>Planning and Zoning:</b>			
Salaries	174,344	172,698	1,646
Benefits and Other Insurance	71,228	70,183	1,045
Zoning Enforcement Contractor	0	0	0
Planning Expense	7,000	7,615	(615)
Conference and Training	500	260	240
Town Plan and Special Projects	0	3,460	(3,460)
Planning Grants	56,667	3,180	53,487
Planning Assistance	5,600	7,107	(1,507)
GIS Software	6,000	1,200	4,800
<b>Total Planning and Zoning</b>	<b>321,339</b>	<b>265,703</b>	<b>55,636</b>
<b>Assessor's Office:</b>			
Salaries	39,560	39,561	(1)
Benefits and Other Insurance	17,373	13,525	3,848
Administrative Assistant	20,353	20,353	0
Assessor Expenses	3,500	3,423	77
<b>Total Assessor's Office</b>	<b>80,786</b>	<b>76,862</b>	<b>3,924</b>
<b>Buildings and Grounds:</b>			
Salaries	109,045	106,838	2,207
Benefits and Other Insurance	53,615	52,604	1,011
Town Center Operating Expenses	52,000	66,439	(14,439)
Town Parade Ground Expenses	0	536	(536)
Town Center Building Maintenance	15,000	4,525	10,475
Town Hall Operating Expense	2,000	104	1,896
Town Hall Building Maintenance	5,000	0	5,000
Town Hall Heating Fuel	8,000	15,710	(7,710)
Town Center Heating Fuel	22,000	17,470	4,530
Town Center Utilities	55,000	48,826	6,174
Pierson Building Utilities and Maintenance	14,000	16,054	(2,054)
Transfer to Highway Equipment Fund	500	500	0
Recreation Fields Maintenance	8,000	4,556	3,444
Capital Projects	8,000	0	8,000
<b>Total Buildings and Grounds</b>	<b>352,160</b>	<b>334,162</b>	<b>17,998</b>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works:			
Stormwater Engineering and Planning	\$ 15,000	\$ 1,221	\$ 13,779
Stormwater Partnerships	8,600	8,100	500
Stormwater Permits	14,000	17,048	(3,048)
Stormwater Maintenance	55,000	11,415	43,585
Monroe Brook Flow Restoration Project	12,200	0	12,200
Transfer to Sewer Fund for Stormwater	16,328	16,328	0
Miscellaneous	20,000	4,343	15,657
<b>Total Public Works</b>	<b>141,128</b>	<b>58,455</b>	<b>82,673</b>
Harbormaster:			
Salaries	5,424	5,424	0
FICA	415	415	0
Mooring Inspection/Maintenance	14,600	10,995	3,605
Seasonal Dock Installation/Removal	5,600	17,065	(11,465)
Equipment	1,500	504	996
Maintenance/Administration	300	270	30
Transfer to Bay Park Fund	23,161	23,161	0
<b>Total Harbormaster</b>	<b>51,000</b>	<b>57,834</b>	<b>(6,834)</b>
Police Department:			0
Salaries	910,953	839,126	71,827
Overtime Salaries	108,174	120,268	(12,094)
Benefits and Other Insurance	392,362	352,912	39,450
Special Duty Details	17,000	24,321	(7,321)
Office Expense	11,000	8,800	2,200
Telephone	11,500	10,157	1,343
Radio Expense	10,700	4,042	6,658
Travel and Conferences	5,000	314	4,686
Photos	6,000	5,625	375
Training	13,600	5,587	8,013
Gasoline	32,500	28,632	3,868
Tires	7,200	1,607	5,593
Vehicle Maintenance and Repairs	25,000	13,069	11,931
General Equipment	7,000	5,248	1,752
Fingerprint Equipment and Supplies	4,100	0	4,100
Uniform Purchases	11,000	8,727	2,273
Uniform Cleaning	3,500	2,651	849
Computer Use and Maintenance	20,000	31,630	(11,630)
Other	10,560	8,247	2,313
Building Maintenance	2,500	2,676	(176)
Matching Funds for Grants	1,000	0	1,000
Capital Improvements	15,000	75,526	(60,526)
Transfer to Police Cruiser Fund	32,000	32,000	0
Animal Enforcement	3,100	1,080	2,020
Police/C.U.S.I	14,805	14,160	645
Governor's Highway Safety and Other Grants	22,500	315,667	(293,167)
<b>Total Police Department</b>	<b>1,698,054</b>	<b>1,912,072</b>	<b>(214,018)</b>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Fire Department:</b>			
Salaries	\$ 61,500	\$ 61,054	\$ 446
FICA	4,705	4,671	34
Office Supplies and Phones	7,040	7,009	31
Building Heat and Service	5,000	4,503	497
Fire Prevention - Training	7,000	3,864	3,136
Radio Maintenance	3,900	4,229	(329)
Protective Clothing	21,300	26,579	(5,279)
Gas and Oil	5,000	4,118	882
Fire Fighting Supplies	8,000	7,801	199
Uniforms	0	8,438	(8,438)
Equipment Maintenance	27,800	22,681	5,119
Building Maintenance	9,000	41,355	(32,355)
Equipment	21,425	25,393	(3,968)
Grant Projects	180,435	0	180,435
Capital Improvements	30,000	23,131	6,869
Rescue Boat Expense	6,700	7,392	(692)
Periodicals	2,000	2,812	(812)
Physicals and Tests	4,000	1,050	2,950
Membership Events and Incentives	11,500	6,712	4,788
<b>Total Fire Department</b>	<b>416,305</b>	<b>262,792</b>	<b>153,513</b>
<b>Public Safety and Dispatch:</b>			
Dispatch Salaries	425,925	441,259	(15,334)
Overtime Salaries	61,313	80,497	(19,184)
Benefits and Other Insurance	156,589	156,379	210
Training	3,000	248	2,752
Uniforms	3,600	1,603	1,997
Capital Improvements	20,000	21,835	(1,835)
Dispatch Radio Equipment	15,000	12,632	2,368
Computer Use	15,000	4,741	10,259
<b>Total Public Safety and Dispatch</b>	<b>700,427</b>	<b>719,194</b>	<b>(18,767)</b>
<b>Public Works - Highways:</b>			
Salaries	285,099	279,398	5,701
Overtime Salaries	29,715	34,417	(4,702)
Benefits and Other Insurance	139,059	118,728	20,331
Interdepartmental Assistance	2,000	1,185	815
Road Maintenance	40,000	34,524	5,476
Tree Removal	8,000	4,650	3,350
Drainage System Maintenance	15,000	26,580	(11,580)
Construction Projects	40,000	0	40,000
Retreatment and Repaving	300,000	393,786	(93,786)
Sidewalk Maintenance	10,000	5,761	4,239
Line Striping, Crosswalks & Traffic Safety	30,000	8,179	21,821
Engineering Services	3,000	1,441	1,559
Street Signs	5,000	3,408	1,592
Winter Sand	5,000	1,508	3,492
Winter Salt	100,000	116,291	(16,291)
Garage Heating Fuel	7,300	5,698	1,602
Garage Utilities	14,000	12,603	1,397
Uniforms	4,600	3,495	1,105
Gas and Diesel	26,000	26,580	(580)
Equipment Repair and Maintenance	55,000	67,600	(12,600)

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works - Highways (Cont.):			
Street and Caution Lights	\$ 10,000	\$ 11,417	\$ (1,417)
Garage Supplies	5,000	6,609	(1,609)
Building Maintenance	5,000	1,220	3,780
Highway Equipment Fund Transfer	85,000	85,000	0
Street Lights Upgrade	20,000	2,260	17,740
	<u>1,243,773</u>	<u>1,252,338</u>	<u>(8,565)</u>
Total Public Works - Highways			
Health and Social Services:			
Health Officer Salary and FICA	939	0	939
Community Donations	38,000	41,280	(3,280)
Transfer to Other (Community Fund)	2,000	2,000	0
Health Officer Expenses	450	0	450
	<u>41,389</u>	<u>43,280</u>	<u>(1,891)</u>
Total Health and Social Services			
Rescue:			
Volunteer Compensation	16,500	15,658	842
Volunteer Incentive Compensation	28,000	30,514	(2,514)
Compensation - Full Part-Time	90,000	125,189	(35,189)
Rescue Overtime	3,000	2,192	808
Benefits and Other Insurance	23,307	25,612	(2,305)
Medical Supplies	23,500	19,839	3,661
Uniforms	1,500	239	1,261
Operating	20,000	28,449	(8,449)
Transport Billing Expense	17,000	21,494	(4,494)
Oxygen	3,600	4,161	(561)
Training	4,400	5,183	(783)
Office Supplies	2,500	1,767	733
Communications	3,000	3,510	(510)
Vehicle	9,500	12,488	(2,988)
Building Heating Fuel	2,500	2,153	347
Building Utilities	6,000	5,040	960
Building Maintenance	4,500	2,865	1,635
Immunizations	150	170	(20)
Public Education	250	0	250
Ambulance Replacement	250,000	68,489	181,511
	<u>509,207</u>	<u>375,012</u>	<u>134,195</u>
Total Rescue			
Cemeteries:			
Salaries	30,906	33,000	(2,094)
Benefits and Other Insurance	2,732	2,830	(98)
Supplies and Tools	800	1,219	(419)
Committee Expenses	100	450	(350)
Gas Expense	800	817	(17)
Equipment Maintenance	600	853	(253)
Equipment Purchases	500	306	194
Capital Projects	5,000	6,149	(1,149)
Transfer to Other (Cemetery Tractor Fund)	1,600	1,600	0
Outside Services	3,500	2,955	545
Interments	4,800	4,000	800
Cremation Garden	1,200	769	431
	<u>52,538</u>	<u>54,948</u>	<u>(2,410)</u>
Total Cemeteries			

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Recreation:</b>			
Administrative Salaries	\$ 102,844	\$ 105,032	\$ (2,188)
Benefits and Other Insurance	47,113	55,801	(8,688)
Administration Expenses	6,447	5,603	844
Public Information	7,413	7,834	(421)
Beach Salaries	19,939	23,403	(3,464)
Beach Equipment	2,225	2,190	35
Beach Utilities	2,205	2,776	(571)
Other	1,010	2,301	(1,291)
Dog Obedience	2,050	0	2,050
Davis Park	4,000	2,516	1,484
Park Maintenance	15,900	10,551	5,349
Martial Arts	840	1,680	(840)
Beach Maintenance	4,200	3,607	593
Lacrosse Programs	9,300	7,851	1,449
Youth Basketball	3,182	2,425	757
Babe Ruth Baseball	5,050	8,214	(3,164)
Summer Soccer Camp	13,250	12,880	370
Softball	2,926	240	2,686
Youth Soccer	9,850	6,509	3,341
Little League Baseball	24,690	26,807	(2,117)
Recreation Programs - Non-League	24,750	28,459	(3,709)
Special Events and Concerts	10,750	12,895	(2,145)
Ski Program	8,150	8,276	(126)
<b>Total Recreation</b>	<b>328,084</b>	<b>337,850</b>	<b>(9,766)</b>
<b>Library:</b>			
Salaries	222,026	229,283	(7,257)
Benefits and Other Insurance	102,347	103,207	(860)
Supplies	5,900	5,470	430
Materials	30,000	30,853	(853)
Public Information	500	461	39
Building Maintenance	5,000	4,917	83
Temporary Location Expense	30,000	33,333	(3,333)
Utilities	5,000	7,948	(2,948)
Equipment Purchase and Maintenance	2,200	1,852	348
Administrative	2,100	2,374	(274)
Programs	2,500	3,048	(548)
Computer Hardware and Software	4,000	4,020	(20)
<b>Total Library</b>	<b>411,573</b>	<b>426,766</b>	<b>(15,193)</b>
<b>Debt Management:</b>			
Fire Truck 2010 Note	43,394	42,756	638
Town Center Project	219,019	219,019	0
Library/Town Hall 2017 Bond	165,000	54,288	110,712
2017 Capital Project Loan	50,524	0	50,524
Recreation Fields Project	95,052	95,052	0
Recreation Bike Path Bond Issue 2008	24,526	24,526	0
Recreation Path Harbor Road Bond 2008 Issue 2012	28,010	28,010	0
Recreation Path Bond 2008 Issue 2010	27,108	27,410	(302)
Beach Sea Wall Bond 2009 Issue 2010	15,962	16,030	(68)
Beaver Creek Bond 2009 Issue 2010	44,135	46,910	(2,775)
2017 Quint Fire Truck	90,689	90,689	0
<b>Total Debt Management</b>	<b>803,419</b>	<b>644,690</b>	<b>158,729</b>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Intergovernmental:</b>			
County Tax	\$ 73,098	\$ 71,207	\$ 1,891
Greater Burlington Industrial Development Corp	1,200	1,200	0
Chittenden County Regional Planning	19,318	18,171	1,147
Chittenden County Transit Authority	105,016	105,016	0
Total Intergovernmental	198,632	195,594	3,038
<b>Employee Benefits:</b>			
HRA Expenses	60,995	72,971	(11,976)
Health Insurance/Flex Spending Administration Expense	21,500	11,489	10,011
Other	1,700	25,088	(23,388)
Total Employee Benefits	84,195	109,548	(25,353)
<b>Miscellaneous:</b>			
Selectboard Discretionary	5,000	1,258	3,742
Community Events	1,500	1,581	(81)
Tree Conservation	9,000	7,634	1,366
Committee Support	1,500	1,155	345
Miscellaneous Expense	0	994	(994)
Total Miscellaneous	17,000	12,622	4,378
Community Improvement Transfer to Open Space Fund:	30,000	30,000	0
Total Expenditures	8,785,607	8,326,879	458,728
Excess of Revenues			
Over Expenditures	\$ 0	369,605	\$ 369,605
<b>Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:</b>			
Ambulance Fund Revenues		291,417	
Ambulance Fund Transfer		(361,374)	
Net Change in Fund Balance		299,648	
Fund Balance - July 1, 2018		1,265,339	
Fund Balance - June 30, 2019		\$ 1,564,987	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Plan Net Pension Liability	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.7400%	0.7523%	0.7227%	0.6965%	0.6842%
Town's Proportionate Share of the Net Pension Liability	\$ 1,041,035	\$ 911,479	\$ 930,087	\$ 537,005	\$ 62,440
Town's Covered-Employee Payroll	\$ 2,391,115	\$ 2,194,508	\$ 2,064,865	\$ 1,866,277	\$ 1,687,080
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	43.54%	41.53%	45.04%	28.77%	3.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.60%	83.64%	80.95%	87.42%	98.32%
	as of June 30, 2018	as of June 30, 2017	as of June 30, 2016	as of June 30, 2015	as of June 30, 2014

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: None

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

TOWN OF SHELBURNE, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions (Actuarially Determined)	\$ 145,904	\$ 129,620	\$ 122,861	\$ 109,840	\$ 97,366
Contributions in Relation to the Actuarially Determined Contributions	<u>(145,904)</u>	<u>(129,620)</u>	<u>(122,861)</u>	<u>(109,840)</u>	<u>(97,366)</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,391,115	\$ 2,194,508	\$ 2,064,865	\$ 1,866,277	\$ 1,687,080
Contributions as a Percentage of Covered Employee Payroll	6.10%	5.91%	5.95%	5.89%	5.77%

**Notes to the Schedule:**

Valuation Dates: June 30, 2018, 2017, 2016, 2015 and 2014

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

TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 18,116	\$ 18,116
Investments	145,910	0	294,629	440,539
Due from Other Funds	455,709	518,784	84,304	1,058,797
Prepaid Expense	<u>1,010</u>	<u>0</u>	<u>0</u>	<u>1,010</u>
Total Assets	<u>\$ 602,629</u>	<u>\$ 518,784</u>	<u>\$ 397,049</u>	<u>\$ 1,518,462</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 5,866	\$ 0	\$ 0	\$ 5,866
Due to Other Funds	<u>0</u>	<u>29,825</u>	<u>12,098</u>	<u>41,923</u>
Total Liabilities	<u>5,866</u>	<u>29,825</u>	<u>12,098</u>	<u>47,789</u>
<u>FUND BALANCES</u>				
Nonspendable	1,010	0	0	1,010
Restricted	343,077	326,271	384,951	1,054,299
Committed	12,527	169,385	0	181,912
Assigned	240,149	23,128	0	263,277
Unassigned/(Deficit)	<u>0</u>	<u>(29,825)</u>	<u>0</u>	<u>(29,825)</u>
Total Fund Balances	<u>596,763</u>	<u>488,959</u>	<u>384,951</u>	<u>1,470,673</u>
Total Liabilities and Fund Balances	<u>\$ 602,629</u>	<u>\$ 518,784</u>	<u>\$ 397,049</u>	<u>\$ 1,518,462</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>Revenues:</b>				
Intergovernmental	\$ 28,281	\$ 20,468	\$ 0	\$ 48,749
Charges for Services	19,885	0	0	19,885
Investment Income/(Loss)	1,974	0	(8,213)	(6,239)
Fees and Licenses	31,194	0	13,000	44,194
Contributions	31,934	2,000	25,318	59,252
Other Revenue	0	18,161	0	18,161
	<u>113,268</u>	<u>40,629</u>	<u>30,105</u>	<u>184,002</u>
<b>Expenditures:</b>				
Public Safety	0	15,012	0	15,012
Highway and Public Works	0	10,000	0	10,000
Cemetery	0	0	650	650
Recreation and Parks	47,843	30	0	47,873
Library	0	0	105,729	105,729
<b>Capital Outlay:</b>				
Public Safety	0	39,747	0	39,747
Highways and Public Works	0	127,679	0	127,679
Recreation and Parks	0	118,117	0	118,117
<b>Debt Service:</b>				
Principal	0	131,000	0	131,000
Interest	0	3,318	0	3,318
	<u>47,843</u>	<u>444,903</u>	<u>106,379</u>	<u>599,125</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>65,425</u>	<u>(404,274)</u>	<u>(76,274)</u>	<u>(415,123)</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Long-Term Debt	0	157,000	0	157,000
Transfers In	4,415	170,661	0	175,076
Transfers Out	(8,019)	0	0	(8,019)
	<u>(3,604)</u>	<u>327,661</u>	<u>0</u>	<u>324,057</u>
Net Change in Fund Balances	61,821	(76,613)	(76,274)	(91,066)
Fund Balances - July 1, 2018	<u>534,942</u>	<u>565,572</u>	<u>461,225</u>	<u>1,561,739</u>
Fund Balances - June 30, 2019	<u>\$ 596,763</u>	<u>\$ 488,959</u>	<u>\$ 384,951</u>	<u>\$ 1,470,673</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2019

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<u>ASSETS</u>					
Investments	\$ 145,910	\$ 0	\$ 0	\$ 0	\$ 145,910
Due from Other Funds	34,131	240,149	134,159	47,270	455,709
Prepaid Expense	<u>1,010</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,010</u>
Total Assets	<u>\$ 181,051</u>	<u>\$ 240,149</u>	<u>\$ 134,159</u>	<u>\$ 47,270</u>	<u>\$ 602,629</u>
<u>LIABILITIES</u>					
Accounts Payable	<u>\$ 5,866</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,866</u>
Total Liabilities	<u>5,866</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,866</u>
<u>FUND BALANCES</u>					
Nonspendable	1,010	0	0	0	1,010
Restricted	174,175	0	134,159	34,743	343,077
Committed	0	0	0	12,527	12,527
Assigned	<u>0</u>	<u>240,149</u>	<u>0</u>	<u>0</u>	<u>240,149</u>
Total Fund Balances	<u>175,185</u>	<u>240,149</u>	<u>134,159</u>	<u>47,270</u>	<u>596,763</u>
Total Liabilities and Fund Balances	<u>\$ 181,051</u>	<u>\$ 240,149</u>	<u>\$ 134,159</u>	<u>\$ 47,270</u>	<u>\$ 602,629</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
Revenues:					
Intergovernmental	\$ 0	\$ 28,281	\$ 0	\$ 0	\$ 28,281
Investment Income	1,974	0	0	0	1,974
Fees and licenses	9,609	0	21,585	0	31,194
Charges for Services	19,885	0	0	0	19,885
Contributions	25,951	0	0	5,983	31,934
Total Revenues	<u>57,419</u>	<u>28,281</u>	<u>21,585</u>	<u>5,983</u>	<u>113,268</u>
Expenditures:					
Recreation and Parks	37,411	0	0	10,432	47,843
Total Expenditures	<u>37,411</u>	<u>0</u>	<u>0</u>	<u>10,432</u>	<u>47,843</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>20,008</u>	<u>28,281</u>	<u>21,585</u>	<u>(4,449)</u>	<u>65,425</u>
Other Financing Sources/(Uses):					
Transfers In	815	0	0	3,600	4,415
Transfers Out	(8,019)	0	0	0	(8,019)
Total Other Financing Sources/(Uses)	<u>(7,204)</u>	<u>0</u>	<u>0</u>	<u>3,600</u>	<u>(3,604)</u>
Net Change in Fund Balances	12,804	28,281	21,585	(849)	61,821
Fund Balances - July 1, 2018	<u>162,381</u>	<u>211,868</u>	<u>112,574</u>	<u>48,119</u>	<u>534,942</u>
Fund Balances - June 30, 2019	<u>\$ 175,185</u>	<u>\$ 240,149</u>	<u>\$ 134,159</u>	<u>\$ 47,270</u>	<u>\$ 596,763</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2019

	Bay Park Fund	Pinehaven Stormwater 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	\$ 34,180	\$ 0	\$ 208,986	\$ 23,128	\$ 121,155	\$ 122,375	\$ 8,960	\$ 518,784
Total Assets	<u>\$ 34,180</u>	<u>\$ 0</u>	<u>\$ 208,986</u>	<u>\$ 23,128</u>	<u>\$ 121,155</u>	<u>\$ 122,375</u>	<u>\$ 8,960</u>	<u>\$ 518,784</u>
<u>LIABILITIES</u>								
Due to Other Funds	\$ 0	\$ 29,825	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,825
Total Liabilities	<u>0</u>	<u>29,825</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,825</u>
<u>FUND BALANCES</u>								
Restricted	0	0	208,986	0	0	108,325	8,960	326,271
Committed	34,180	0	0	0	121,155	14,050	0	169,385
Assigned	0	0	0	23,128	0	0	0	23,128
Unassigned/(Deficit)	<u>0</u>	<u>(29,825)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(29,825)</u>
Total Fund Balances/(Deficit)	<u>34,180</u>	<u>(29,825)</u>	<u>208,986</u>	<u>23,128</u>	<u>121,155</u>	<u>122,375</u>	<u>8,960</u>	<u>488,959</u>
Total Liabilities and Fund Balances	<u>\$ 34,180</u>	<u>\$ 0</u>	<u>\$ 208,986</u>	<u>\$ 23,128</u>	<u>\$ 121,155</u>	<u>\$ 122,375</u>	<u>\$ 8,960</u>	<u>\$ 518,784</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2019

	Bay Park Fund	Pinehaven Stormwater Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Open Land Trust Fund	Police Fund	Fire Truck Fund	Total
<b>Revenues:</b>								
Intergovernmental	\$ 0	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 468	\$ 0	\$ 20,468
Contributions	0	0	0	0	0	2,000	0	2,000
Other	0	0	523	0	0	17,638	0	18,161
<b>Total Revenues</b>	<b>0</b>	<b>20,000</b>	<b>523</b>	<b>0</b>	<b>0</b>	<b>20,106</b>	<b>0</b>	<b>40,629</b>
<b>Expenditures:</b>								
Public Safety	0	0	0	0	0	15,012	0	15,012
Highways and Public Works	0	0	10,000	0	0	0	0	10,000
Recreation and Parks	30	0	0	0	0	0	0	30
<b>Capital Outlay:</b>								
Public Safety	0	0	0	0	0	39,747	0	39,747
Highways and Public Works	0	34,629	93,050	0	0	0	0	127,679
Recreation and Parks	38,117	0	0	0	80,000	0	0	118,117
Debt Service - Principal	0	0	131,000	0	0	0	0	131,000
Debt Service - Interest	0	0	3,318	0	0	0	0	3,318
<b>Total Expenditures</b>	<b>38,147</b>	<b>34,629</b>	<b>237,368</b>	<b>0</b>	<b>80,000</b>	<b>54,759</b>	<b>0</b>	<b>444,903</b>
Excess/(Deficiency) of Revenue Over Expenditures	(38,147)	(14,629)	(236,845)	0	(80,000)	(34,653)	0	(404,274)
<b>Other Financing Sources:</b>								
Loan Proceeds	0	0	157,000	0	0	0	0	157,000
Transfers In	23,161	0	85,500	0	30,000	32,000	0	170,661
<b>Total Other Financing Sources</b>	<b>23,161</b>	<b>0</b>	<b>242,500</b>	<b>0</b>	<b>30,000</b>	<b>32,000</b>	<b>0</b>	<b>327,661</b>
<b>Net Change in Fund Balance</b>	<b>(14,986)</b>	<b>(14,629)</b>	<b>5,655</b>	<b>0</b>	<b>(50,000)</b>	<b>(2,653)</b>	<b>0</b>	<b>(76,613)</b>
Fund Balance/(Deficit) - July 1, 2018	49,166	(15,196)	203,331	23,128	171,155	125,028	8,960	565,572
Fund Balance/(Deficit) - June 30, 2019	<u>\$ 34,180</u>	<u>\$ (29,825)</u>	<u>\$ 208,986</u>	<u>\$ 23,128</u>	<u>\$ 121,155</u>	<u>\$ 122,375</u>	<u>\$ 8,960</u>	<u>\$ 488,959</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR PERMANENT FUNDS  
 JUNE 30, 2019

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<u>ASSETS</u>				
Cash	\$ 18,116	\$ 0	\$ 0	\$ 18,116
Investments	0	206,351	88,278	294,629
Due from Other Funds	51	84,253	0	84,304
Total Assets	\$ 18,167	\$ 290,604	\$ 88,278	\$ 397,049
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ 0	\$ 0	\$ 12,098	\$ 12,098
Total Liabilities	0	0	12,098	12,098
Fund Balances:				
Restricted	18,167	290,604	76,180	384,951
Total Fund Balances	18,167	290,604	76,180	384,951
Total Liabilities and Fund Balances	\$ 18,167	\$ 290,604	\$ 88,278	\$ 397,049

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
Revenues:				
Contributions	\$ 21,445	\$ 0	\$ 3,873	\$ 25,318
Fees	0	13,000	0	13,000
Investment Income/(Loss)	5	8,140	(16,358)	(8,213)
Total Revenues	<u>21,450</u>	<u>21,140</u>	<u>(12,485)</u>	<u>30,105</u>
Expenditures:				
Cemetery	0	650	0	650
Library	105,729	0	0	105,729
Total Expenditures	<u>105,729</u>	<u>650</u>	<u>0</u>	<u>106,379</u>
Net Change in Fund Balances	(84,279)	20,490	(12,485)	(76,274)
Fund Balances - July 1, 2018	<u>102,446</u>	<u>270,114</u>	<u>88,665</u>	<u>461,225</u>
Fund Balances - June 30, 2019	<u>\$ 18,167</u>	<u>\$ 290,604</u>	<u>\$ 76,180</u>	<u>\$ 384,951</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)  
WATER FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues and Transfers:</b>			
Water Sales	\$ 1,062,006	\$ 1,091,499	\$ 29,493
Cut-Ins	9,000	11,040	2,040
Hydrant Maintenance Fees	11,900	11,150	(750)
Penalties and Interest	7,500	9,372	1,872
Interest Income	4,000	7,040	3,040
Tank Space Rent	88,400	88,400	0
Turn On/Off and Final Bill Charges	4,000	3,850	(150)
Transfer from Sewer Fund (Meter Reading Services)	16,000	16,000	0
Charges for Materials, Services and Miscellaneous	2,400	31,236	28,836
<b>Total Revenues and Transfers</b>	<b>1,205,206</b>	<b>1,269,587</b>	<b>64,381</b>
<b>Expenses and Transfers:</b>			
Water Purchases	378,978	409,099	(30,121)
State Water Quality Fee	10,100	8,509	1,591
Engineering	7,000	7,215	(215)
Contractors and Equipment Rental	87,000	37,499	49,501
Pump Station	4,000	4,083	(83)
Tank and Line Maintenance	90,170	103,592	(13,422)
Hydrant Replacement and Maintenance	6,000	3,871	2,129
Materials	6,000	3,903	2,097
Meter Purchases and Replacement	10,000	14,389	(4,389)
Equipment and Large Tools	2,000	1,787	213
Miscellaneous	3,000	2,718	282
Valve Replacement and Maintenance	6,000	3,166	2,834
Building Maintenance	1,000	470	530
Small Tools	1,000	2,998	(1,998)
Postage	2,900	2,532	368
Accounting and Auditing	3,000	3,000	0
Legal Services	3,000	116	2,884
Office Supplies	2,000	1,311	689
Computer Services	4,500	2,486	2,014
Telephones and Pagers	2,800	2,678	122
Uniforms	3,000	3,357	(357)
Retirement	10,928	11,417	(489)
Health Insurance and Other Benefits	55,512	47,136	8,376
FICA	15,885	16,371	(486)
Training	2,000	1,081	919
Wages - Regular and On Call	185,562	188,924	(3,362)
Wages - Overtime	20,284	15,717	4,567
Outside Labor	800	0	800
Vehicle Gas and Oil	6,000	4,635	1,365
Vehicle Repair and Maintenance	3,000	2,601	399
Insurance - General	18,900	19,002	(102)
Debt Service	176,428	141,429	34,999
Transfer to General Fund (Administrative Services)	46,459	46,459	0
Transfer to Capital Improvement Fund	20,000	20,000	0
Truck Purchase	10,000	45,593	(35,593)
<b>Total Expenses and Transfers</b>	<b>1,205,206</b>	<b>1,179,144</b>	<b>26,062</b>
<b>Net Income</b>	<b>\$ 0</b>	<b>90,443</b>	<b>\$ 90,443</b>
<b>Adjustments to Reconcile to GAAP Basis Statements:</b>			
Depreciation Expense		(101,670)	
Capital Fund Transfer		20,000	
Accrued Vacation Pay		1,325	
Debt Accrued Interest		690	
Capital Projects		45,593	
GASB 68 Pension Adjustment		(4,413)	
Debt Principal		110,000	
<b>Change in Net Position - Exhibit G</b>		<b>\$ 161,968</b>	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)  
SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues and Transfers:</b>			
User Fees	\$ 1,814,142	\$ 1,828,600	\$ 14,458
Miscellaneous	800	17,178	16,378
Transfer from General Fund (Stormwater Admin.)	15,000	16,328	1,328
Transfer from Sewer Capacity Fund	5,000	0	(5,000)
Interest and Penalties	18,000	17,401	(599)
Outside Septage	65,000	87,068	22,068
<b>Total Revenues and Transfers</b>	<b>1,917,942</b>	<b>1,966,575</b>	<b>48,633</b>
<b>Expenses and Transfers:</b>			
Transfer to General Fund (Administrative Services)	46,459	46,459	0
Transfer to Water Fund (Meter Reading Services)	16,727	16,000	727
Chemicals	59,000	52,372	6,628
Electricity	189,570	201,431	(11,861)
Property Insurance	58,000	68,179	(10,179)
Lab Testing and Equipment	26,500	22,505	3,995
Miscellaneous Expense	3,000	2,941	59
Plant Maintenance	110,500	59,141	51,359
Professional Services (Legal, Accounting, Engineering)	28,600	17,413	11,187
Permits	3,300	3,300	0
Debt Service	582,800	566,991	15,809
SCADA System Maintenance	5,000	714	4,286
Heating Fuel, Communication & Utilities	32,400	36,698	(4,298)
Safety Equipment	2,200	1,983	217
Sludge Disposal	75,000	89,573	(14,573)
Collection System Maintenance	85,000	53,663	31,337
Collection System Capital Improvements	40,000	44,037	(4,037)
Transfer to Capital Improvement Fund	50,000	50,000	0
Training and Travel	3,500	1,352	2,148
Truck Expense	11,000	6,895	4,105
Office Expense	5,000	4,752	248
Wages - Regular	314,213	313,773	440
Wages - Overtime	32,825	32,687	138
Retirement	19,147	20,053	(906)
FICA	26,549	27,413	(864)
Health Insurance and Other Benefits	91,652	82,239	9,413
<b>Total Expenses and Transfers</b>	<b>1,917,942</b>	<b>1,822,564</b>	<b>95,378</b>
<b>Net Income</b>	<b>\$ 0</b>	<b>144,011</b>	<b>\$ 144,011</b>

## Adjustments to Reconcile to GAAP Basis Statements:

Vacation Accrual	(6,413)
Depreciation Expense	(446,623)
Capital Fund Capacity Fees	37,519
Capital Fund Interest Income	3,991
Capital Projects	44,037
Transfer to Capital Fund	50,000
Debt Accrued Interest	576
Debt Principal	554,247
GASB 68 Pension Adjustment	(32,728)
<b>Change in Net Position - Exhibit G</b>	<b>\$ 348,617</b>

See Disclaimer in Accompanying Independent Auditor's Report.

# Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
VT Lic. #92-000180

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, 2019, 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 28, 2020.

### ***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 Deficiencies in Internal Control, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 2019-1 and 2019-2 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 deficiency described the accompanying Schedule of Deficiencies in Internal Control as Item 2019-3 to be a significant deficiency.

### ***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 28, 2020.

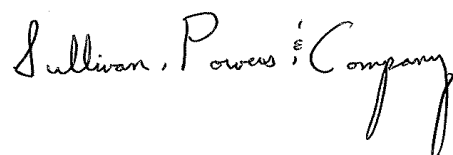
### ***Town of Shelburne, Vermont's Responses to the Deficiencies in Internal Control***

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 28, 2020  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2019

Deficiencies in Internal Control:

Material Weaknesses:

2019-1 Reconciliation of Bank Accounts

*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. Also, the bank reconciliations should be done on a timely basis to detect errors and irregularities quickly enough to act.

*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. Further, the Town's main operating account was not reconciled on a timely basis for much of the year.

*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. In addition, we recommend that bank reconciliations be completed within a month of the statement date.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2019

2019-2 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:*

The Town does not have internal controls in place to ensure that timely reconciliations are performed for all balance sheet accounts.

*Cause:*

Unknown.

*Effect:*

The Town's balance sheet account balances could be incorrect during the year.

*Recommendation:*

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

Significant Deficiencies:

2019-3 Review and Approval of Journal Entries

*Criteria:*

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

*Condition:*

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

*Cause:*

Unknown.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2019

*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.



# Town of Shelburne Vermont

CHARTERED 1769

P.O. BOX 88 5420 SHELburne ROAD SHELburne, VT 05482

---

Clerk/Treasurer (802) 985-5116	Town Offices (802) 985-5110	Water/Sewer (802) 985-5120	Assessor (802) 985-5115	Recreation (802) 985-9551	Fax Number (802)-985-9550
-----------------------------------	--------------------------------	-------------------------------	----------------------------	------------------------------	------------------------------

To: Fred Duplessis

From: Peter Frankenburg

Date: 25-Feb-20

Re: Management Response to Schedule of Deficiencies in Internal Control

## 2019-1 Reconciliation of Bank Accounts

**Auditor Recommendation to Management:** We recommend that someone other than the check signer prepare or review in detail the reconciliations of the cash accounts monthly. This review should be documented. In addition, we recommend that bank reconciliations be completed within a month of the statement date.

### **Management Response:**

The Treasurer reconciles small checking accounts & Certificates of Deposit activity and posts this activity 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. We will develop a procedure where the Finance Director's and Town Treasurer's monthly reconciliations are reviewed and acknowledged by another person, preferably in a different department. We will review and adjust staff responsibilities to allow the Finance Director to complete bank reconciliations in a timelier manner.

## 2019-2 Timely Reconciliation of Balance Sheet Accounts

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

### **Management Response:**

Staffing constraints and other priorities have made timely reconciliation of balance sheet accounts difficult. We will review workload responsibilities as well as considering the possibility of using outside assistance to perform this reconciliation on a timelier basis.

Management Response to Schedule of Deficiencies in Internal Control Cont'

**2019-3 Review and approval of Journal Entries:** 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 Town Manager or Treasurer.