

Audited Financial Statements  
and Other Financial Information

**Town of Shelburne, Vermont**

June 30, 2021



*Proven Expertise & Integrity*

TOWN OF SHELBURNE, VERMONT

CONTENTS

JUNE 30, 2021

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12 - 13
STATEMENT B - STATEMENT OF ACTIVITIES	14 - 15
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	16
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	18
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
STATEMENT G - STATEMENT OF NET POSITION - PROPRIETARY FUNDS	20 - 21
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	22
STATEMENT I - STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	23 - 24
NOTES TO FINANCIAL STATEMENTS	25 - 58
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	59

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	60
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	61
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	62
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	63 - 64
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	65
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	66
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	67 - 68
SCHEDULE C - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	69
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	70
SPECIAL REVENUE FUNDS DESCRIPTION	71
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	72
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	73
CAPITAL PROJECT FUNDS DESCRIPTION	74
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS	75
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS	76
PERMANENT FUNDS DESCRIPTION	77

SCHEDULE I - COMBINING BALANCE SHEET - PERMANENT FUNDS 78

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

FEDERAL COMPLIANCE

INDEPENDENT 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* 80 - 81



Proven Expertise & Integrity

## INDEPENDENT AUDITOR'S REPORT

Selectboard  
Town of Shelburne  
Shelburne, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609  
[www.rhrsmith.com](http://www.rhrsmith.com)

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

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

### Opinions

In our opinion, except for the item mentioned in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and the aggregate remaining fund information of the Town of Shelburne, Vermont as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 60 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shelburne, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, on our consideration of the Town of Shelburne, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shelburne, Vermont's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
June 20, 2023

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**(UNAUDITED)**

The following management's discussion and analysis of the Town of Shelburne, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Town of Shelburne, Vermont's financial statements.

**Financial Statement Overview**

The Town of Shelburne, Vermont's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedules and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

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

**Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Shelburne are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, health and welfare, culture and recreation, intergovernmental, employee benefits and other.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Shelburne include the water and sewer funds.

### **Fund Financial Statements**

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

*Governmental funds:* Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These

reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Shelburne presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund and the library construction fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

*Proprietary Funds:* The Town of Shelburne maintains two proprietary funds, the water and sewer funds. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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

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

### **Required Supplementary Information**

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

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

## Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities decreased by \$377,347 from \$14,061,116 to \$13,683,769. For the business-type activities, the Town's total net position increased by \$915,208 from \$11,578,726 to \$12,493,934.

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 - decreased for the governmental activities by \$2,022,354 to a balance of \$1,382,306 at the end of the fiscal year. For the business-type activities, the unrestricted net position increased by \$754,309 to a balance of \$2,246,499.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2021</u>	<u>2020 (Restated)</u>	<u>2021</u>	<u>2020 (Restated)</u>
<b>Assets:</b>				
Current Assets	\$ 5,725,706	\$ 5,371,578	\$ 2,657,515	\$ 1,835,744
Noncurrent Assets - Capital Assets	18,767,866	19,238,050	14,510,635	15,016,829
Total Assets	<u>\$ 24,493,572</u>	<u>\$ 24,609,628</u>	<u>\$ 17,168,150</u>	<u>\$ 16,852,573</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	\$ 759,060	\$ 425,758	\$ 125,728	\$ 70,521
Total Deferred Outflows of Resources	<u>\$ 759,060</u>	<u>\$ 425,758</u>	<u>\$ 125,728</u>	<u>\$ 70,521</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 2,569,543	\$ 1,625,579	\$ 987,622	\$ 970,157
Noncurrent Liabilities	8,915,843	8,965,363	3,810,920	4,371,763
Total Liabilities	<u>\$ 11,485,386</u>	<u>\$ 10,590,942</u>	<u>\$ 4,798,542</u>	<u>\$ 5,341,920</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid Taxes	\$ 75,012	\$ 38,548	\$ -	\$ -
Deferred Revenue	-	330,000	-	-
Deferred Inflows Related to Pensions	8,465	14,780	1,402	2,448
Total Deferred Inflows of Resources	<u>\$ 83,477</u>	<u>\$ 383,328</u>	<u>\$ 1,402</u>	<u>\$ 2,448</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	\$ 11,027,866	\$ 10,604,550	\$ 10,247,435	\$ 10,086,536
Restricted	1,273,597	51,906	-	-
Unrestricted	1,382,306	3,404,660	2,246,499	1,492,190
Total Net Position	<u>\$ 13,683,769</u>	<u>\$ 14,061,116</u>	<u>\$ 12,493,934</u>	<u>\$ 11,578,726</u>

## Revenues and Expenses

Revenues for the Town's governmental activities increased by 2.51%, while total expenses increased by 15.47%. The largest increase in revenues were in taxes and miscellaneous. The largest increase in expenses were in other and capital outlay. For the business-type activities, revenues increased by 9.03% mainly due to charges for services, while total expenses decreased by 0.79%.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 1,148,649	\$ 1,671,952	\$ 3,593,975	\$ 3,276,811
Operating grants and contributions	190,420	148,904	-	-
<i>General Revenues:</i>				
Taxes	7,490,135	7,003,200	-	-
Grants and contracts not restricted to specific programs	136,986	199,470	130,690	129,565
Miscellaneous	728,193	433,854	33,121	40,041
Total Revenues	<u>9,694,383</u>	<u>9,457,380</u>	<u>3,757,786</u>	<u>3,446,417</u>
<b>Expenses</b>				
General government	2,539,698	2,286,861	-	-
Public safety	3,236,606	3,419,989	-	-
Public works	1,542,972	1,603,322	-	-
Health and welfare	99,277	89,713	-	-
Culture and recreation	1,018,080	697,714	-	-
Intergovernmental	196,541	199,002	-	-
Employee benefits	224,331	80,095	-	-
Other	173,100	45,927	-	-
Capital outlay	680,680	-	-	-
Interest on long-term debt	216,574	175,263	-	-
Water	-	-	1,232,752	1,212,341
Sewer	-	-	1,753,697	1,798,017
Total Expenses	<u>9,927,859</u>	<u>8,597,886</u>	<u>2,986,449</u>	<u>3,010,358</u>
Transfers	<u>(143,871)</u>	<u>(36,289)</u>	<u>143,871</u>	<u>36,289</u>
Change in Net Position	(377,347)	823,205	915,208	472,348
Net Position - July 1, Restated	<u>14,061,116</u>	<u>13,237,911</u>	<u>11,578,726</u>	<u>11,106,378</u>
Net Position - June 30	<u>\$ 13,683,769</u>	<u>\$ 14,061,116</u>	<u>\$ 12,493,934</u>	<u>\$ 11,578,726</u>

### Financial Analysis of the Town's Fund Statements

*Governmental funds:* The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year and the net resources available for spending.

**Table 3**  
**Town of Shelburne, Vermont**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<u>2021</u>	<u>2020 (Restated)</u>	<u>Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 100,022	\$ 111,550	\$ (11,528)
Committed	211,557	211,557	-
Unassigned	2,009,483	1,971,225	38,258
Total General Fund	<u>\$ 2,321,062</u>	<u>\$ 2,294,332</u>	<u>\$ 26,730</u>
Library Construction Fund:			
Restricted	\$ 53,669	\$ 51,906	\$ 1,763
Total Library Construction Fund	<u>\$ 53,669</u>	<u>\$ 51,906</u>	<u>\$ 1,763</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 534,726	\$ 322,645	\$ 212,081
Assigned	291,805	345,717	(53,912)
Capital Project Funds:			
Restricted	200,562	408,091	(207,529)
Committed	213,153	180,953	32,200
Assigned	21,792	21,792	-
Unassigned	(734,419)	(41,398)	(693,021)
Permanent Funds:			
Restricted	484,640	375,846	108,794
Total Nonmajor Funds	<u>\$ 1,012,259</u>	<u>\$ 1,613,646</u>	<u>\$ (601,387)</u>

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

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

The water fund's net position increased by \$131,579 over the prior fiscal year, while the sewer fund's net position increased by \$783,629 over the prior fiscal year.

### Budgetary Highlights

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

The general fund actual revenues were below budgeted amounts by \$272,985. This was the result of transfers from other funds being receipted significantly under budget, partially offset by all other categories being receipted in excess of budgeted amounts.

The general fund actual expenditures were under budget by \$299,715. All but two expenditure categories were within or below budget with employee benefits and other exceeding budgeted amounts.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2021, the net book value of capital assets recorded by the Town decreased by \$976,378 over the prior year. The increase is the result of capital additions of \$685,586 less current year depreciation of \$1,661,964 Refer to Note 6 of the Notes to Financial Statements for detailed information.

**Table 4**  
**Town of Shelburne, Vermont**  
**Capital Assets**  
**June 30,**

	<u>2021</u>	<u>2020</u>
Land	\$ 1,542,497	\$ 1,542,497
Library collection	433,619	433,619
Construction in progress	240,849	197,504
Buildings and improvements	18,495,012	18,474,640
Equipment and vehicles	7,859,812	7,343,052
Infrastructure	30,913,987	30,808,878
Accumulated depreciation	<u>(26,207,275)</u>	<u>(24,545,311)</u>
Total	<u>\$ 33,278,501</u>	<u>\$ 34,254,879</u>

### Debt

At June 30, 2021, the Town had \$12,003,200 in bonds and notes from direct borrowings payable outstanding versus \$13,562,889 last year, a decrease of 11.50%. Refer to Note 8 of the Notes to Financial Statements for detailed information.

### Currently Known Facts, Decisions or Conditions

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

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

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

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

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

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

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,626,693	\$ 39,345	\$ 4,666,038
Investments	1,370,196	701,669	2,071,865
Accounts receivable (net of allowance for uncollectibles)	636,129	889,877	1,526,006
Prepaid items	100,105	16,707	116,812
Inventory	-	2,500	2,500
Internal balances	(1,007,417)	1,007,417	-
Total current assets	<u>5,725,706</u>	<u>2,657,515</u>	<u>8,383,221</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure and other assets not being depreciated	1,665,207	118,139	1,783,346
Buildings, equipment, vehicles and infrastructure net of accumulated depreciation	<u>17,102,659</u>	<u>14,392,496</u>	<u>31,495,155</u>
Total noncurrent assets	<u>18,767,866</u>	<u>14,510,635</u>	<u>33,278,501</u>
<b>TOTAL ASSETS</b>	<u>24,493,572</u>	<u>17,168,150</u>	<u>41,661,722</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>759,060</u>	<u>125,728</u>	<u>884,788</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>759,060</u>	<u>125,728</u>	<u>884,788</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 25,252,632</u>	<u>\$ 17,293,878</u>	<u>\$ 42,546,510</u>

STATEMENT A (CONTINUED)

TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 764,434	\$ 141,025	\$ 905,459
Accrued payroll and benefits	-	2,529	2,529
Accrued interest	981,009	10,834	991,843
Unearned revenue	-	18,277	18,277
Current portion of long-term obligations	824,100	814,957	1,639,057
Total current liabilities	2,569,543	987,622	3,557,165
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	6,715,000	795,512	7,510,512
Note from direct borrowings payable	200,900	2,652,731	2,853,631
Accrued compensated absences	238,234	70,873	309,107
Net pension liability	1,761,709	291,804	2,053,513
Total noncurrent liabilities	8,915,843	3,810,920	12,726,763
<b>TOTAL LIABILITIES</b>	<b>11,485,386</b>	<b>4,798,542</b>	<b>16,283,928</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	75,012	-	75,012
Deferred inflows related to pensions	8,465	1,402	9,867
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>83,477</b>	<b>1,402</b>	<b>84,879</b>
<b>NET POSITION</b>			
Net investment in capital assets	11,027,866	10,247,435	21,275,301
Restricted	1,273,597	-	1,273,597
Unrestricted	1,382,306	2,246,499	3,628,805
<b>TOTAL NET POSITION</b>	<b>13,683,769</b>	<b>12,493,934</b>	<b>26,177,703</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 25,252,632</b>	<b>\$ 17,293,878</b>	<b>\$ 42,546,510</b>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
General government	\$ 2,539,698	\$ 243,374	\$ -	\$ -	\$ (2,296,324)	\$ -	\$ (2,296,324)
Public safety	3,236,606	619,618	-	-	(2,616,988)	-	(2,616,988)
Public works	1,542,972	110,846	190,420	-	(1,241,706)	-	(1,241,706)
Health and welfare	99,277	-	-	-	(99,277)	-	(99,277)
Culture and recreation	1,018,080	126,815	-	-	(891,265)	-	(891,265)
Intergovernmental	196,541	-	-	-	(196,541)	-	(196,541)
Employee benefits	224,331	-	-	-	(224,331)	-	(224,331)
Other	173,100	47,996	-	-	(125,104)	-	(125,104)
Capital outlay	680,680	-	-	-	(680,680)	-	(680,680)
Interest on long-term debt	216,574	-	-	-	(216,574)	-	(216,574)
Total governmental activities	<u>9,927,859</u>	<u>1,148,649</u>	<u>190,420</u>	<u>-</u>	<u>(8,588,790)</u>	<u>-</u>	<u>(8,588,790)</u>
Business-type activities:							
Water fund	1,232,752	1,222,341	-	-	-	(10,411)	(10,411)
Sewer fund	1,753,697	2,371,634	-	-	-	617,937	617,937
Total business-type activities	<u>2,986,449</u>	<u>3,593,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,526</u>	<u>607,526</u>
Total government	<u>\$12,914,308</u>	<u>\$4,742,624</u>	<u>\$ 190,420</u>	<u>\$ -</u>	<u>(8,588,790)</u>	<u>607,526</u>	<u>(7,981,264)</u>

STATEMENT B (CONTINUED)

TOWN OF SHELBURNE, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(8,588,790)</u>	<u>607,526</u>	<u>(7,981,264)</u>
General revenue:			
Taxes:			
Property taxes, levied for general purposes	7,490,135	-	7,490,135
Grants and contributions not restricted to specific programs	136,986	130,690	267,676
Miscellaneous	728,193	33,121	761,314
Transfers	<u>(143,871)</u>	<u>143,871</u>	<u>-</u>
Total general revenues	<u>8,211,443</u>	<u>307,682</u>	<u>8,519,125</u>
Change in net position	(377,347)	915,208	537,861
NET POSITION - JULY 1, RESTATED	<u>14,061,116</u>	<u>11,578,726</u>	<u>25,639,842</u>
NET POSITION - JUNE 30	<u>\$ 13,683,769</u>	<u>\$ 12,493,934</u>	<u>\$ 26,177,703</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Fund	Library Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,531,519	\$ -	\$ 95,174	\$ 4,626,693
Investments	931,195	-	439,001	1,370,196
Accounts receivable (net of allowance for uncollectibles)	636,129	-	-	636,129
Prepaid items	100,022	-	83	100,105
Due from other funds	1,397,784	53,669	1,241,901	2,693,354
<b>TOTAL ASSETS</b>	<b>\$ 7,596,649</b>	<b>\$ 53,669</b>	<b>\$ 1,776,159</b>	<b>\$ 9,426,477</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 684,876	\$ -	\$ 79,558	\$ 764,434
Accrued expenses	981,009	-	-	981,009
Due to other funds	3,016,429	-	684,342	3,700,771
<b>TOTAL LIABILITIES</b>	<b>4,682,314</b>	<b>-</b>	<b>763,900</b>	<b>5,446,214</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	75,012	-	-	75,012
Unavailable property taxes, penalties and interest	398,393	-	-	398,393
Unavailable other receivables	119,868	-	-	119,868
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>593,273</b>	<b>-</b>	<b>-</b>	<b>593,273</b>
<b>FUND BALANCES</b>				
Nonspendable	100,022	-	-	100,022
Restricted	-	53,669	1,219,928	1,273,597
Committed	211,557	-	213,153	424,710
Assigned	-	-	313,597	313,597
Unassigned	2,009,483	-	(734,419)	1,275,064
<b>TOTAL FUND BALANCES</b>	<b>2,321,062</b>	<b>53,669</b>	<b>1,012,259</b>	<b>3,386,990</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,596,649</b>	<b>\$ 53,669</b>	<b>\$ 1,776,159</b>	<b>\$ 9,426,477</b>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

	Total Governmental Funds
	Funds
Total Fund Balances	\$ 3,386,990
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	18,767,866
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	398,393
Deferred revenues	119,868
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	759,060
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(7,480,000)
Notes from direct borrowings payable	(260,000)
Accrued compensated absences	(238,234)
Net pension liability	(1,761,709)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	(8,465)
	\$ 13,683,769
Net position of governmental activities	

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Library Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,480,011	\$ -	\$ -	\$ 7,480,011
Intergovernmental	229,389	-	98,017	327,406
Charges for services	1,100,653	-	47,996	1,148,649
Miscellaneous revenues	479,304	2,299	209,520	691,123
TOTAL REVENUES	<u>9,289,357</u>	<u>2,299</u>	<u>355,533</u>	<u>9,647,189</u>
EXPENDITURES				
Current:				
General government	2,079,259	-	-	2,079,259
Public safety	2,931,281	-	12,196	2,943,477
Public works	1,317,261	-	-	1,317,261
Health and welfare	99,277	-	-	99,277
Culture and recreation	774,314	-	43,604	817,918
Intergovernmental	196,541	-	-	196,541
Employee benefits	224,331	-	-	224,331
Other	173,100	-	-	173,100
Debt service:				
Principal	820,000	-	148,513	968,513
Interest	210,334	-	6,240	216,574
Capital outlay	-	536	1,159,425	1,159,961
TOTAL EXPENDITURES	<u>8,825,698</u>	<u>536</u>	<u>1,369,978</u>	<u>10,196,212</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>463,659</u>	<u>1,763</u>	<u>(1,014,445)</u>	<u>(549,023)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	120,000	120,000
Transfers in	216	-	293,274	293,490
Transfers (out)	(437,145)	-	(216)	(437,361)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(436,929)</u>	<u>-</u>	<u>413,058</u>	<u>(23,871)</u>
NET CHANGE IN FUND BALANCES	26,730	1,763	(601,387)	(572,894)
FUND BALANCES - JULY 1, RESTATED	<u>2,294,332</u>	<u>51,906</u>	<u>1,613,646</u>	<u>3,959,884</u>
FUND BALANCES - JUNE 30	<u>\$ 2,321,062</u>	<u>\$ 53,669</u>	<u>\$ 1,012,259</u>	<u>\$ 3,386,990</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (572,894)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	614,821
Depreciation expense	<u>(1,085,005)</u>
	<u>(470,184)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported	
Taxes and liens receivable	10,124
Deferred revenues	<u>37,070</u>
	<u>47,194</u>
Deferred outflows of resources is a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>333,302</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.	
	<u>1,013,500</u>
Debt proceeds provide current financial resources to governmental funds, but long-term obligations in the Statement of Net Position.	
	<u>(120,000)</u>
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:	
Net pension liability	<u>(614,580)</u>
	<u>(614,580)</u>
Deferred inflows of resources are an acquisition of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.	
	<u>6,315</u>
Change in net position of governmental activities (Statement B)	<u>\$ (377,347)</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 39,345	\$ -	\$ 39,345
Investments	499,416	202,253	701,669
Accounts receivable (net of allowance for uncollectibles)	348,300	541,577	889,877
Prepaid items	-	16,707	16,707
Inventory	2,500	-	2,500
Due from other funds	-	1,720,859	1,720,859
Total current assets	<u>889,561</u>	<u>2,481,396</u>	<u>3,370,957</u>
Capital assets:			
Land and construction in progress	-	118,139	118,139
Buildings and improvements	41,989	1,696,320	1,738,309
Equipment, machinery and vehicles	165,713	552,343	718,056
Infrastructure	5,016,909	19,028,944	24,045,853
Total capital assets	<u>5,224,611</u>	<u>21,395,746</u>	<u>26,620,357</u>
Less: accumulated depreciation	<u>(2,263,105)</u>	<u>(9,846,617)</u>	<u>(12,109,722)</u>
Net capital assets	<u>2,961,506</u>	<u>11,549,129</u>	<u>14,510,635</u>
<b>TOTAL ASSETS</b>	<u>3,851,067</u>	<u>14,030,525</u>	<u>17,881,592</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	26,615	99,113	125,728
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>26,615</u>	<u>99,113</u>	<u>125,728</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,877,682</u>	<u>\$ 14,129,638</u>	<u>\$ 18,007,320</u>

STATEMENT G (CONTINUED)

TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 79,878	\$ 61,147	\$ 141,025
Accrued expenses	543	1,986	2,529
Accrued interest	10,256	578	10,834
Due to other funds	713,442	-	713,442
Unearned revenue	14,388	3,889	18,277
Current portion of long-term liabilities	105,000	709,957	814,957
Total current liabilities	<u>923,507</u>	<u>777,557</u>	<u>1,701,064</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	510,000	285,512	795,512
Notes from direct borrowings payable	-	2,652,731	2,652,731
Accrued compensated absences	39,106	31,767	70,873
Net pension liability	61,771	230,033	291,804
Total noncurrent liabilities	<u>610,877</u>	<u>3,200,043</u>	<u>3,810,920</u>
<b>TOTAL LIABILITIES</b>	<u>1,534,384</u>	<u>3,977,600</u>	<u>5,511,984</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	297	1,105	1,402
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>297</u>	<u>1,105</u>	<u>1,402</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,346,506	7,900,929	10,247,435
Unrestricted (deficit)	(3,505)	2,250,004	2,246,499
<b>TOTAL NET POSITION</b>	<u>2,343,001</u>	<u>10,150,933</u>	<u>12,493,934</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 3,877,682</u>	<u>\$ 14,129,638</u>	<u>\$ 18,007,320</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,222,341	\$ 2,371,634	\$ 3,593,975
Other	6,860	19,825	26,685
TOTAL OPERATING REVENUES	<u>1,229,201</u>	<u>2,391,459</u>	<u>3,620,660</u>
OPERATING EXPENSES			
Salaries and wages	232,757	384,326	617,083
Administrative charges	49,288	49,288	98,576
Meter reading charges	-	-	-
Benefits	91,905	181,300	273,205
Insurance	26	-	26
Professional services	-	114,425	114,425
Utilities	-	228,786	228,786
Sludge removal	-	104,541	104,541
Water supply and engineering	466,173	-	466,173
Maintenance	260,237	146,557	406,794
Chemicals	-	60,835	60,835
Miscellaneous	8,259	6,473	14,732
Depreciation	100,125	476,834	576,959
TOTAL OPERATING EXPENSES	<u>1,208,770</u>	<u>1,753,365</u>	<u>2,962,135</u>
OPERATING INCOME	<u>20,431</u>	<u>638,094</u>	<u>658,525</u>
NONOPERATING REVENUES (EXPENSES)			
Water tank revenue	130,690	-	130,690
Investment income	4,440	1,996	6,436
Transfers in	-	143,871	143,871
Transfers (out)	-	-	-
Interest (expense)	(23,982)	(332)	(24,314)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>111,148</u>	<u>145,535</u>	<u>256,683</u>
CHANGE IN NET POSITION	131,579	783,629	915,208
NET POSITION - JULY , RESTATED	<u>2,211,422</u>	<u>9,367,304</u>	<u>11,578,726</u>
NET POSITION - JUNE 30	<u>\$ 2,343,001</u>	<u>\$ 10,150,933</u>	<u>\$ 12,493,934</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,177,215	\$ 2,320,030	\$ 3,497,245
Other receipts	6,860	19,825	26,685
Internal activity - receipts (payments) from/to other funds	(79,527)	(644,679)	(724,206)
Payments to suppliers	(774,352)	(709,458)	(1,483,810)
Payments to employees	(315,021)	(529,723)	(844,744)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>15,175</u>	<u>455,995</u>	<u>471,170</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	13,055	-	13,055
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>13,055</u>	<u>-</u>	<u>13,055</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital asset purchases	(27,420)	(43,345)	(70,765)
Principal payments on bonds and notes payable	(110,000)	(556,189)	(666,189)
Interest payments on bonds and notes payable	(23,982)	(332)	(24,314)
NET CASH PROVIDED BY (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(161,402)</u>	<u>(599,866)</u>	<u>(761,268)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)	-	143,871	143,871
Water tank rental revenue	130,690	-	130,690
NET CASH PROVIDED BY (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>130,690</u>	<u>143,871</u>	<u>274,561</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,482)	-	(2,482)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>41,827</u>	<u>-</u>	<u>41,827</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 39,345</u>	<u>\$ -</u>	<u>\$ 39,345</u>

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 20,431	\$ 638,094	\$ 658,525
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	100,125	476,834	576,959
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(46,837)	(51,604)	(98,441)
(Increase) decrease in prepaid items	2,483	(10,707)	(8,224)
(Increase) decrease in due from other funds	-	(644,679)	(644,679)
(Increase) decrease in deferred outflows of resources	(11,687)	(43,520)	(55,207)
Increase (decrease) in accounts payable	6,971	11,299	18,270
Increase (decrease) in accrued interest	-	1	1
Increase (decrease) in accrued expenses	177	854	1,031
Increase (decrease) in unearned revenues	1,711	-	1,711
Increase (decrease) in due to other funds	(79,527)	-	(79,527)
Increase (decrease) in net pension liability	21,549	80,248	101,797
Increase (decrease) in deferred inflows of resources	(221)	(825)	(1,046)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 15,175</u>	<u>\$ 455,995</u>	<u>\$ 471,170</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	<u>\$ 23,982</u>	<u>\$ 332</u>	<u>\$ 24,314</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

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

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

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

**COVID-19 Outbreak**

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

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. The state of emergency expired on June 15, 2021.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Impact on Finances*

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

*Expected Federal/State Support*

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

*Conclusion*

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

**Implementation of New Accounting Standards**

During the year ended June 30, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 84 “Fiduciary Activities”. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 "Replacement of Interbank Offered Rates (paragraphs 4-11a)." The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

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

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, protection, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

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

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

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

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- e. Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**Basis of Accounting**

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

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Budget**

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

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

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the registered voters of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the registered voters of the Town.

**Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Receivables**

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Loans and accounts receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible amounts is estimated to be \$1,790,000 as of June 30, 2021. Loans and accounts receivable netted with allowances for uncollectible accounts were \$3,306,006 for the year ended June 30, 2021.

**Prepaid Items**

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

**Inventories**

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

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure. The Town is currently working on completing its capital asset inventory.

Estimated useful lives are as follows:

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

**Long-term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Pensions**

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

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified or rescinded only through a Town meeting vote.

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

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred tax revenues and unavailable receivables, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

TOWN OF SHELBURNE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town’s investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

**Deposits:**

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

At June 30, 2021, the Town’s cash balance of \$4,666,038 was comprised of deposits amounting to \$4,873,884. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town’s cash and cash equivalents balance. Of these deposits, \$283,225 was insured by federal depository insurance and \$2,971 were collateralized and insured by Securities Investors Protection Corporation (SIPC) and consequently was not exposed to custodial credit risk. The remaining deposits of \$4,587,688 were collateralized with securities held by the financial institution in the Town’s name and therefore were not exposed to custodial credit risk.

Account Type	Bank Balance
Checking accounts	\$ 4,870,913
Cash equivalents	2,971
	\$ 4,873,884

**Investments:**

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

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

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$1,782,421 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2021, the Town's investments of \$2,071,865 were comprised of certificates of deposit, U.S. agency securities, common stock and equity securities. Of this amount, \$237,927 were collateralized and insured by Securities Investors Protection Corporation (SIPC), \$51,517 were held in common stock registered to the Town and \$370,797 were insured by federal depository insurance. Investments of \$656,518 were collateralized with securities held by the financial institution in the Town's name and therefore were not exposed to custodial credit risk. \$86,247 were insured by the National Credit Union Share Insurance Fund (NCUSIF). The remaining balance of \$668,859 was uninsured and uncollateralized.

The Town had the following investments at June 30, 2021:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years	> 5 Years
U.S. Agency Securities	\$ 71,526	\$ -	\$ 71,526	\$ -	\$ -
Institutional certificates of deposit	72,958	-	50,315	22,643	-
Common stock	51,517	51,517	-	-	-
Index funds	93,443	93,443	-	-	-
	<u>\$ 289,444</u>	<u>\$ 144,960</u>	<u>\$ 121,841</u>	<u>\$ 22,643</u>	<u>\$ -</u>

**Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2021:

	June 30, 2021 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
U.S. Agency Securities	\$ 71,526	\$ -	\$ 71,526	\$ -
Institutional certificates of deposit	72,958	-	72,958	-
Total debt securities	<u>144,484</u>	<u>-</u>	<u>144,484</u>	<u>-</u>
Equity securities:				
Common stock - domestic	\$ 51,517	\$ 51,517	\$ -	\$ -
Index funds	93,443	93,443	-	-
Mutual funds - equity	-	-	-	-
Total equity securities	<u>144,960</u>	<u>144,960</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>289,444</u>	<u>\$ 144,960</u>	<u>\$ 144,484</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	2,971			
Total cash equivalents measured at the NAV	<u>2,971</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 292,415</u>			

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2021 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$1,778,457 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk - Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2021 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 1,397,784	\$ 3,016,429
Library Construction Fund	53,669	-
Enterprise Funds	1,720,859	713,442
Nonmajor Special Revenue Funds	684,961	-
Nonmajor Capital Projects Funds	451,837	679,261
Nonmajor Permanent Funds	105,103	5,081
	<u>\$ 4,414,213</u>	<u>\$ 4,414,213</u>

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2021 consisted of the following:

	Transfers From	Transfers To
General Fund	\$ 216	\$ 437,145
Enterprise Funds	143,871	-
Nonmajor Special Revenue Funds	25,774	216
Nonmajor Capital Projects Funds	267,500	-
	\$ 437,361	\$ 437,361

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

NOTE 5 - LOANS RECEIVABLE

Loans receivable at June 30, 2021 consist of the following community development loans:

Shelburne Housing Limited Partnership, payable on demand on or after December 31, 2033. Secured by a second mortgage with a 0% interest rate.	\$ 530,000
Harrington Village Limited Partnership, payable on demand on or after November 14, 2043. Secured by a second mortgage with a 0% interest rate.	668,750
Shelburne Housing Limited Partnership, payable on demand on or after November 15, 2043. Secured by a second mortgage with a 0% interest rate.	581,250
Total	1,780,000
Less: Allowance for doubtful loans receivable	(1,780,000)
Reported value at June 30, 2021	\$ -

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Disposals	Balance, 6/30/21
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 1,531,497	\$ -	\$ -	\$ 1,531,497
Construction in progress	133,710	-	-	133,710
	<u>1,665,207</u>	<u>-</u>	<u>-</u>	<u>1,665,207</u>
Depreciated assets:				
Buildings and improvements	16,736,331	20,372	-	16,756,703
Vehicles and equipment	6,639,496	516,760	-	7,156,256
Infrastructure	6,775,945	77,689	-	6,853,634
Library collection	433,619	-	-	433,619
	<u>30,585,391</u>	<u>614,821</u>	<u>-</u>	<u>31,200,212</u>
Less: accumulated depreciation	<u>(13,012,548)</u>	<u>(1,085,005)</u>	<u>-</u>	<u>(14,097,553)</u>
	<u>17,572,843</u>	<u>(470,184)</u>	<u>-</u>	<u>17,102,659</u>
Net governmental capital assets	<u>\$ 19,238,050</u>	<u>\$ (470,184)</u>	<u>\$ -</u>	<u>\$ 18,767,866</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	63,794	43,345	-	107,139
	<u>74,794</u>	<u>43,345</u>	<u>-</u>	<u>118,139</u>
Depreciated assets:				
Buildings and improvements	1,738,309	-	-	1,738,309
Vehicles, machinery and equipment	703,556	-	-	703,556
Infrastructure	24,032,933	27,420	-	24,060,353
	<u>26,474,798</u>	<u>27,420</u>	<u>-</u>	<u>26,502,218</u>
Less: accumulated depreciation	<u>(11,532,763)</u>	<u>(576,959)</u>	<u>-</u>	<u>(12,109,722)</u>
Net business-type capital assets	<u>\$ 15,016,829</u>	<u>\$ (506,194)</u>	<u>\$ -</u>	<u>\$ 14,510,635</u>
<u>Depreciation expense:</u>				
General government				\$ 205,848
Public safety				330,609
Public works				348,386
Culture and recreation				200,162
Total governmental fund depreciation				<u>1,085,005</u>
Water Fund				100,125
Sewer Fund				476,834
Total business-type fund depreciation				<u>576,959</u>
Total depreciation expense				<u>\$ 1,661,964</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2021:

	Balance, 7/1/20 (Restated)	Additions	Deletions	Balance, 6/30/21	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 8,300,000	\$ -	\$ (820,000)	\$ 7,480,000	\$ 765,000
Notes from direct borrowings payable	333,500	120,000	(193,500)	260,000	59,100
Total	<u>\$ 8,633,500</u>	<u>\$ 120,000</u>	<u>\$ (1,013,500)</u>	<u>\$ 7,740,000</u>	<u>\$ 824,100</u>
	Balance, 7/1/20 (Restated)	Additions	Deletions	Balance, 6/30/21	Current Portion
<u>Business-type activities:</u>					
<u>Water</u>					
Bond payable	\$ 725,000	\$ -	\$ (110,000)	\$ 615,000	\$ 105,000
<u>Sewer</u>					
Bond payable	\$ 375,554	\$ -	\$ (44,575)	\$ 330,979	\$ 45,467
Notes from direct borrowings payable	3,828,835	-	(511,614)	3,317,221	664,490
Total	<u>\$ 4,204,389</u>	<u>\$ -</u>	<u>\$ (556,189)</u>	<u>\$ 3,648,200</u>	<u>\$ 709,957</u>

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

Governmental activities

Bonds payable:

Town center bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$235,000 through December of 2021. Interest is charged at a fixed rate varying between 3.620% to 5.180% per annum. \$ 235,000

Capital improvement (bike/pedestrian path, Spear Street) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$20,000, through November of 2023. Interest is charged at a fixed rate varying between 1.900% to 4.410% per annum. 60,000

Recreation facilities and sand/salt shed bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$75,000, through November of 2025. Interest is charged at a fixed rate varying between 3.000% to 4.490% per annum. 375,000

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Library/town hall bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$100,000, through November of 2038. Interest is charged at a fixed rate varying between 1.700% to 4.170% per annum.	1,800,000
Capital improvement (fire truck, beach seawall, Webster Road path) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$15,000 to \$75,000, through December of 2030. Interest is charged at a fixed rate varying between 2.454% to 3.426% per annum.	180,000
Special assessment debt with governmental commitment, Beaver Creek infrastructure bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$30,000, through November of 2030. Interest is charged at a fixed rate varying between 1.540% to 5.050% per annum.	300,000
Capital improvement (bike/pedestrian path/sidewalk, Webster Road, Harbor Road) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$25,000, through November of 2022. Interest is charged at a fixed rate varying between 1.098% to 3.000% per annum.	50,000
Capital improvement (fire truck) bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$65,000, through November of 2032. Interest is charged at a fixed rate varying between 1.780% to 3.490% per annum.	775,000
\$3,900,000 New library construction/town hall renovations payable to Vermont Municipal Bond Bank. Annual principal payments of \$195,000 plus fixed interest ranging from 1.350% to 3.123% per annum with a maturity date of November 1, 2039.	<u>3,705,000</u>
Total governmental activities bonds payable	<u><u>\$ 7,480,000</u></u>

TOWN OF SHELBURNE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Notes from direct borrowings payable:

Capital improvement (truck) note payable to Union Bank, due in annual principal payments of \$20,000, through April 29, 2025. Interest is charged at a fixed rate of 1.950% per annum. \$ 80,000

Capital improvement (wheel loader) note payable to the Vermont State Municipal Loan Fund, due in annual principal payments of \$20,000, through December of 2023. Interest is charged at a fixed rate of 2.000% per annum. 60,000

Capital equipment (truck) note payable to Union Bank. Annual principal and interest payments of \$21,308. Interest rate is at a fixed rate of 1.840% per annum with a maturity date of May 18, 2027. 120,000

Total governmental activities notes from direct borrowings payable \$ 260,000

Business-type activities

Bonds payable:

Water

Water bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$50,000 to \$55,000, through November of 2023. Interest is charged at a fixed rate varying between 3.570% to 4.690% per annum. \$ 160,000

Water bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$20,000 to \$25,000, through November of 2028. Interest is charged at a fixed rate varying between 0.440% to 4.330% per annum. 170,000

Water bond payable to the Vermont Municipal Bond Bank, due in annual payments of \$20,000 to \$25,000, through November of 2023. Interest is charged at a fixed rate of 3.080% per annum. 285,000

Total water bonds payable 615,000

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Sewer

Sewer bond payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$42,715, through April of 2027. Administration fee is 2% per annum.	239,264
Sewer bond payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$9,371, through September of 2031. Administration fee is 2% per annum.	<u>91,715</u>
Total sewer bonds payable	<u>330,979</u>
Total business-type bonds payable	<u>\$ 945,979</u>

Notes from direct borrowings payable:

Sewer

Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$355,266, through 2024. No interest is charged.	\$ 710,532
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$6,355, through 2030. Administration fee is 2% per annum.	51,869
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$85,979, through 2027. No interest is charged.	343,900
Shelburne Heights sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$50,648, through 2024. No interest is charged.	101,295
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal and administration fee payments of \$15,527, through 2025. Administration fee is 2% per annum.	73,186
Tank truck note payable to the National Bank of Middlebury, due January 6. Interest at a fixed rate of 2.660% per annum.	72,487
Sewer upgrade note payable to the State of Vermont Special Environmental Revolving Fund, due in annual principal payments of \$120,115, through 2039. No interest is charged.	<u>1,963,953</u>
Total sewer notes from direct borrowings payable	<u>\$ 3,317,222</u>

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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

Governmental activities:

	Bonds payable		Notes from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2022	\$ 765,000	\$ 208,277	\$ 59,100	\$ 4,983	\$ 1,037,360
2023	530,000	189,091	59,451	3,850	782,392
2024	505,000	176,246	59,806	2,704	743,756
2025	485,000	164,347	40,175	1,537	691,059
2026	485,000	153,820	20,545	763	660,128
2027-2031	2,030,000	607,285	20,923	385	2,658,593
2032-2036	1,600,000	314,449	-	-	1,914,449
2037-2041	1,080,000	65,985	-	-	1,145,985
	<u>\$ 7,480,000</u>	<u>\$ 1,879,500</u>	<u>\$ 260,000</u>	<u>\$ 14,222</u>	<u>\$ 9,633,722</u>

Business-type activities:

Water	Bonds payable		Total Debt Service
	Principal	Interest	
2022	\$ 105,000	\$ 20,332	\$ 125,332
2023	105,000	16,428	121,428
2024	95,000	11,890	106,890
2025	45,000	8,525	53,525
2026	45,000	7,209	52,209
2027-2031	180,000	18,199	198,199
2032-2036	40,000	1,420	41,420
	<u>\$ 615,000</u>	<u>\$ 84,003</u>	<u>\$ 699,003</u>

Sewer	Bonds payable		Notes from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2022	\$ 45,467	\$ 6,620	\$ 664,490	\$ 43,710	\$ 760,287
2023	46,376	5,710	594,107	39,778	685,971
2024	47,303	4,783	190,238	37,734	280,058
2025	48,249	3,837	192,324	35,648	280,058
2026	49,214	2,872	108,476	33,521	194,083
2027-2031	85,182	4,389	488,643	137,351	715,565
2032-2036	9,188	184	512,786	87,789	609,947
2037-2041	-	-	566,157	34,418	600,575
	<u>\$ 330,979</u>	<u>\$ 28,395</u>	<u>\$ 3,317,221</u>	<u>\$ 449,949</u>	<u>\$ 4,126,544</u>

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT (CONTINUED)

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is obligated for a special assessment debt. This debt is for the Beaver Creek infrastructure. This debt is paid by the homeowners of Beaver Creek. No interest costs were capitalized during the period. The amount of proprietary fund interest costs incurred and charged to expense for the year ended June 30, 2021 was \$24,314.

NOTE 9 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2021 is as follows:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 238,234	\$ -	\$ -	\$ 238,234	\$ -
Net pension liability	1,147,129	-	614,580	1,761,709	-
Total	<u>\$ 1,385,363</u>	<u>\$ -</u>	<u>\$ 614,580</u>	<u>\$ 1,999,943</u>	<u>\$ -</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 70,873	\$ -	\$ -	\$ 70,873	\$ -
Net pension liability	190,007	-	101,797	291,804	-
Total	<u>\$ 260,880</u>	<u>\$ -</u>	<u>\$ 101,797</u>	<u>\$ 362,677</u>	<u>\$ -</u>

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

NOTE 10 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for vacation and sick time is recorded as a long-term obligation in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The liability as of June 30, 2021 was \$309,107.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11 - NONSPENDABLE FUND BALANCE

The following fund balances have been restricted at June 30, 2021 for the following purposes:

General fund:	
Prepaid items	\$ 100,022

NOTE 12 - RESTRICTED FUND BALANCES AND NET POSITION

The following fund balances and net position have been restricted at June 30, 2021 for the following purposes:

Library construction fund	\$ 53,669
Nonmajor special revenue funds (Schedule E):	
Recreation/impact fees related funds	335,700
Record preservation fund	151,767
Special revenue miscellaneous fund	47,259
Nonmajor capital projects funds (Schedule G):	
Highway equipment fund	137,774
Fire truck fund	62,788
Nonmajor permanent funds (Schedule I):	
Pierson library fund	92,715
Cemetery fund	345,489
Lillian Davis memorial fund	46,436
	\$ 1,273,597

NOTE 13 - COMMITTED FUND BALANCES

At June 30, 2021, the committed fund balances were made up of the following account balances:

General fund:	
Ambulance and rescue operations	\$ 211,557
Nonmajor capital projects funds (Schedule G)	213,153
	\$ 424,710

NOTE 14 - ASSIGNED FUND BALANCES

At June 30, 2021, the assigned fund balances were made up of the following account balances:

Nonmajor special revenue funds (Schedule E)	\$ 291,805
Nonmajor capital projects funds (Schedule G)	21,792
	\$ 313,597

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 15 - DEFICIT FUND BALANCE

At June 30, 2021, the Town had the following deficit fund balance:

Pinehaven stormwater fund	\$	644,915
Police fund		73,496
Irish Hill path/bridge fund		16,008
	\$	<u>734,419</u>

NOTE 16 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071, or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system and two employer representatives-one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the Annual Comprehensive Financial Report. The Annual Report may be viewed on the State’s Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](https://www.vermont.gov/annual-comprehensive-financial-report).

**Benefits Provided**

The pension plan is divided into four membership groups:

- Group A - general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

The Town participates in Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Benefit formula - Normal Service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

\*\* A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

**Contributions**

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	3.000% of gross salary	5.375% of gross salary	10.500% of gross salary	11.850% of gross salary
Employer Contributions	4.500% of gross salary	6.000% of gross salary	7.750% of gross salary	10.350% of gross salary

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2021 totaled \$168,952 . The Town contributed \$161,883 for the year ended June 30, 2021. The Town's total payroll for the year ended June 30, 2021 for all employees covered under this plan was \$2,501,824 .

**Pension Liabilities**

*VMERS Plan*

At June 30, 2021, the Town reported a liability of \$2,053,513 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2018. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2020, the Town's proportion was 0.81175% for VMERS, which was an increase of 0.04103% from its proportion measured as of June 30, 2019 for VMERS.

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

For the year ended June 30, 2021, the Town recognized net pension expense of \$274,963 for the VMERS plan. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 184,942	\$ 6,087
Changes of assumptions	275,311	-
Net difference between projected and actual earnings on pension plan investments	196,401	-
Changes in proportion and differences between contributions and proportionate share of contributions	66,251	3,780
Contributions subsequent to the measurement date	161,883	-
	\$ 884,788	\$ 9,867
Total		

\$161,883 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS Plan
Plan year ended June 30:	
2021	\$ 201,344
2022	205,286
2023	179,717
2024	126,692
2025	-
Thereafter	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2020 measurement date was determined by rolling forward the total pension liability as of June 30, 2019 to June 30, 2020. The total pension liability was calculated using the following actuarial assumptions:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Investment Rate of Return:* 7.00%, net of pension plan investment expense, including inflation.

*Inflation:* 2.30%

*Salary Increases:* Varying, service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

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

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

Healthy Retiree - Groups A, B and C, 98% of RP-2006 tables, blended with a 60% Blue Collar Annuitant and 40% Healthy Annuitant and Group D with a Blue Collar Annuitant Table

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

*Inactive Members:* Valuation liability equals 100% of accumulated contributions. Inactive who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.

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

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

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

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

*Cost-of-Living Adjustments:* Assumed to occur on January 1 following one year of retirement at the rate of 1.10% per annum for Group A members and 1.20% per

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

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

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class. These best estimate ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	7.07%
US Equity - Large Cap	4.00%	6.19%
US Equity - Small/Mid Cap	3.00%	6.93%
Non-US Equity - Large Cap	5.00%	7.01%
Non-US Equity - Small Cap	2.00%	7.66%
Emerging Markets Debt	4.00%	3.66%
Core Bonds	20.00%	0.39%
Private and Alternative Credit	10.00%	6.03%
US TIPS	3.00%	-0.20%
Core Real Estate	5.00%	4.06%
Non-Core Real Estate	3.00%	6.43%
Private Equity	10.00%	11.27%
Infrastructure/Farmland	2.00%	5.44%

TOWN OF SHELBURNE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

**Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00% for the VMERS plan, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.00%	7.00%	8.00%
Town's proportionate share of the net pension liability	\$ 3,137,352	\$ 2,053,513	\$ 161,743

**Pension Plan Fiduciary Net Position**

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VMERS or their participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Annual Comprehensive Financial Report. The Annual Report can be viewed on the State’s Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](http://www.vermont.gov/annual-comprehensive-financial-report).

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17 - RISK MANAGEMENT

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

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

NOTE 18 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

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

NOTE 19 - COMPARATIVE DATA/RECLASSIFICATIONS

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 20 - RESTATEMENTS

The net position of the water fund has been restated at July 1, 2020 to correct the liability accounts. The resulting restatement decreased the net position of the water fund by \$2,484, from \$2,213,906 to \$2,211,422.

The net position of the sewer fund has been restated at July 1, 2020 to correct the liability accounts. The resulting restatement increased the net position of the water fund by \$12,424, from \$9,354,880 to \$9,367,304.

The fund balance of the recreation/impact fee fund has been restated at July 1, 2020 to correct the receivable accounts. The resulting restatement increased the fund balance of the recreation/impact fee fund by \$78,867 from \$174,870 to \$253,737.

The fund balance of the general fund has been restated at July 1, 2020 to correct the liability accounts. The resulting restatement decreased the fund balance of the general fund by \$241,161 from \$2,535,493 to \$2,294,332.

The net restatement to the beginning net position of the governmental activities was a decrease of \$162,294 from \$14,223,410 to \$14,061,116. The net restatement to the beginning net position of the business-type activities was an increase of \$9,940 from \$11,568,786 to \$11,578,726.

## Required Supplementary Information

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

- Budgetary Comparison Schedule - General Fund - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,294,332	\$ 2,294,332	\$ 2,294,332	\$ -
Resources (Inflows):				
Property taxes	7,423,603	7,423,603	7,480,011	56,408
Intergovernmental	190,815	190,815	229,389	38,574
Charges for services	1,070,799	1,070,799	1,100,653	29,854
Miscellaneous revenues	395,248	395,248	479,304	84,056
Transfers from other funds	482,093	482,093	216	(481,877)
Amounts Available for Appropriation	11,856,890	11,856,890	11,583,905	(272,985)
Charges to Appropriations (Outflows):				
Current:				
General government	2,125,579	2,125,579	2,079,259	46,320
Public safety	3,268,943	3,268,943	2,931,281	337,662
Public works	1,335,198	1,335,198	1,317,261	17,937
Health and welfare	95,689	95,689	99,277	(3,588)
Culture and recreation	828,751	828,751	774,314	54,437
Intergovernmental	198,407	198,407	196,541	1,866
Employee benefits	81,200	81,200	224,331	(143,131)
Other	30,750	30,750	173,100	(142,350)
Debt service:				
Principal	820,000	820,000	820,000	-
Interest	262,576	262,576	210,334	52,242
Transfers to other funds	515,465	515,465	437,145	78,320
Total Charges to Appropriations	9,562,558	9,562,558	9,262,843	299,715
Budgetary Fund Balance, June 30	\$ 2,294,332	\$ 2,294,332	\$ 2,321,062	\$ 26,730

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELBURNE, VERMONT

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

	2021	2020	2019	2018	2017	2016
<u>VMERS:</u>						
Proportion of the net pension liability	0.81%	0.77%	0.74%	0.75%	0.72%	0.70%
Proportionate share of the net pension liability	\$ 2,053,513	\$ 1,337,136	\$ 1,041,035	\$ 911,479	\$ 930,087	\$ 537,005
Covered payroll	\$ 2,391,115	\$ 2,391,115	\$ 2,194,508	\$ 2,064,865	\$ 1,866,277	\$ 1,687,080
Proportionate share of the net pension liability as a percentage of its covered payroll	85.88%	55.92%	47.44%	44.14%	49.84%	31.83%
Plan fiduciary net position as a percentage of the total pension liability	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%

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

TOWN OF SHELBURNE, VERMONT

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>VMERS:</u>						
Contractually required contribution	\$ 161,883	\$ 155,514	\$ 145,904	\$ 129,620	\$ 122,861	\$ 109,840
Contributions in relation to the contractually required contribution	<u>(161,883)</u>	<u>(155,514)</u>	<u>(145,904)</u>	<u>(129,620)</u>	<u>(122,861)</u>	<u>(109,840)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,501,824	\$ 2,487,392	\$ 2,391,115	\$ 2,194,508	\$ 2,064,865	\$ 1,866,277
Contributions as a percentage of covered payroll	6.47%	6.25%	6.10%	5.91%	5.95%	5.89%

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

## TOWN OF SHELBURNE, VERMONT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

#### **Changes of Assumptions**

##### VMERS Pension Plan:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows with generational projection using scale MP-2019:
  - Pre- Retirement - Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, Group D - PubG-2010 General Employee above-median
  - Healthy Post Retirement - Retirees - Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree
  - Healthy Post-Retirement - Beneficiaries - Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor. Group D - Pub-2010 Contingent Survivor.
  - Disabled Retirees - All Groups - PubNS-2010 Non-Safety Disabled Retiree Mortality Table.
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
- The active retirement rates were updated as follows:
  - Group A - Decreased the rates throughout all ages.
  - Group B - For females, slightly decreased the rates at younger ages and then increase the rates at later ages. For males, slightly decreased the rates at most ages.
  - Group C - Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.

TOWN OF SHELBURNE, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021

- Group D - For members with less than 20 years of service, increased the rates for ages 55-59.
- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.
- The liability load of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members, and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were simplified for females to one set of slightly reduced rates for all females.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds

## TOWN OF SHELBURNE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property taxes:			
Property taxes	\$ 7,283,966	\$ 7,358,102	\$ 74,136
Special assessments	44,637	44,637	-
Late Homestead filing	14,000	16,676	2,676
Penalties	41,000	33,569	(7,431)
Interest income	40,000	27,027	(12,973)
Intergovernmental:			
Highway state aid	145,000	190,420	45,420
Other intergovernmental revenue	45,815	38,969	(6,846)
Charges for services:			
Licenses and fees	104,460	146,730	42,270
Highway	12,100	12,270	170
Police department	559,697	554,098	(5,599)
Cemetery	5,400	6,200	800
Planning and zoning	113,175	96,644	(16,531)
Water and sewer administration	98,577	98,576	(1)
Recreation	156,490	119,575	(36,915)
Library	-	1,040	1,040
Rescue	20,900	65,520	44,620
Other income:			
Investment income	500	3,073	2,573
Rental income	200,100	225,408	25,308
Other income	194,648	250,823	56,175
Transfers in	482,093	216	(481,877)
<b>Total revenues</b>	<b>\$ 9,562,558</b>	<b>\$ 9,289,573</b>	<b>\$ (272,985)</b>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
Selectboard	\$ 51,772	\$ 46,320	\$ 5,452
Legal services	60,000	131,440	(71,440)
Administration - municipal offices	108,400	90,581	17,819
Town manager	237,814	237,759	55
Elections	14,000	24,803	(10,803)
Finance and insurance	575,515	654,491	(78,976)
Town clerk/treasurer	275,339	229,260	46,079
Planning and zoning	317,911	257,016	60,895
Assessor's office	109,234	95,081	14,153
Buildings and grounds	375,594	312,508	63,086
	<u>2,125,579</u>	<u>2,079,259</u>	<u>46,320</u>
<b>PUBLIC SAFETY</b>			
Police department	1,857,266	1,523,899	333,367
Fire department	257,308	281,556	(24,248)
Public safety and dispatch	778,311	696,430	81,881
Rescue	376,058	429,396	(53,338)
	<u>3,268,943</u>	<u>2,931,281</u>	<u>337,662</u>
<b>PUBLIC WORKS</b>			
Highways	1,302,623	1,127,295	175,328
Stormwater expenses	-	143,871	(143,871)
Harbormaster	32,575	46,095	(13,520)
	<u>1,335,198</u>	<u>1,317,261</u>	<u>17,937</u>
<b>HEALTH AND WELFARE</b>			
Health and social services	36,777	35,000	1,777
Cemeteries	58,912	64,277	(5,365)
	<u>95,689</u>	<u>99,277</u>	<u>(3,588)</u>
<b>CULTURE AND RECREATION</b>			
Recreation programs	350,778	314,487	36,291
Library	477,973	459,827	18,146
	<u>828,751</u>	<u>774,314</u>	<u>54,437</u>
<b>INTERGOVERNMENTAL</b>			
County tax	70,942	70,843	99
Greater Burlington Industrial Development Corp.	1,200	1,200	-
Chittenden County Regional Planning	17,931	17,931	-
Chittenden County Transit Authority	108,334	106,567	1,767
	<u>198,407</u>	<u>196,541</u>	<u>1,866</u>

SCHEDULE B (CONTINUED)  
TOWN OF SHELBURNE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
<b>EMPLOYEE BENEFITS</b>	81,200	224,331	(143,131)
<b>OTHER</b>			
Selectboard discretionary	1,500	2,059	(559)
Community events	1,500	1,402	98
Tree conservation	20,250	11,794	8,456
Committee support	2,500	-	2,500
Miscellaneous expense	5,000	157,845	(152,845)
	<u>30,750</u>	<u>173,100</u>	<u>(142,350)</u>
<b>DEBT SERVICE</b>			
Principal	820,000	820,000	-
Interest	262,576	210,334	52,242
	<u>1,082,576</u>	<u>1,030,334</u>	<u>52,242</u>
<b>TRANSFERS TO OTHER FUNDS</b>			
Special revenue funds	840	674	166
Capital projects funds	308,625	292,600	16,025
Enterprise funds	206,000	143,871	62,129
	<u>515,465</u>	<u>437,145</u>	<u>78,320</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u>\$ 9,562,558</u>	<u>\$ 9,262,843</u>	<u>\$ 299,715</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 95,174	\$ 95,174
Investments	149,557	-	289,444	439,001
Due from other funds	684,961	451,837	105,103	1,241,901
Prepaid items	83	-	-	83
<b>TOTAL ASSETS</b>	<b><u>\$ 834,601</u></b>	<b><u>\$ 451,837</u></b>	<b><u>\$ 489,721</u></b>	<b><u>\$ 1,776,159</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,070	\$ 71,488	\$ -	\$ 79,558
Due to other funds	-	679,261	5,081	684,342
<b>TOTAL LIABILITIES</b>	<b><u>8,070</u></b>	<b><u>750,749</u></b>	<b><u>5,081</u></b>	<b><u>763,900</u></b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	-	-	-
Restricted	534,726	200,562	484,640	1,219,928
Committed	-	213,153	-	213,153
Assigned	291,805	21,792	-	313,597
Unassigned	-	(734,419)	-	(734,419)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b><u>826,531</u></b>	<b><u>(298,912)</u></b>	<b><u>484,640</u></b>	<b><u>1,012,259</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$ 834,601</u></b>	<b><u>\$ 451,837</u></b>	<b><u>\$ 489,721</u></b>	<b><u>\$ 1,776,159</u></b>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

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

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 72,748	\$ 25,269	\$ -	\$ 98,017
Investment income	935	-	108,794	109,729
Charges for services	47,996	-	-	47,996
Other	52,536	47,255	-	99,791
TOTAL REVENUES	<u>174,215</u>	<u>72,524</u>	<u>108,794</u>	<u>355,533</u>
EXPENDITURES				
Current:				
Public safety	-	12,196	-	12,196
Recreation and parks	41,604	2,000	-	43,604
Debt service:				
Principal	-	148,513	-	148,513
Interest	-	6,240	-	6,240
Capital outlay	-	1,159,425	-	1,159,425
TOTAL EXPENDITURES	<u>41,604</u>	<u>1,328,374</u>	<u>-</u>	<u>1,369,978</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>132,611</u>	<u>(1,255,850)</u>	<u>108,794</u>	<u>(1,014,445)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	120,000	-	120,000
Transfers in	25,774	267,500	-	293,274
Transfers (out)	(216)	-	-	(216)
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,558</u>	<u>387,500</u>	<u>-</u>	<u>413,058</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	158,169	(868,350)	108,794	(601,387)
FUND BALANCES (DEFICITS) - JULY 1	<u>668,362</u>	<u>569,438</u>	<u>375,846</u>	<u>1,613,646</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 826,531</u>	<u>\$ (298,912)</u>	<u>\$ 484,640</u>	<u>\$ 1,012,259</u>

See accompanying independent auditor's report and notes to financial statements.

## Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

## TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2021

	Recreation/ Impact Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<b>ASSETS</b>					
Investments	\$ 149,557	\$ -	\$ -	\$ -	\$ 149,557
Due from other funds	192,925	291,805	151,767	48,464	684,961
Prepaid items	83	-	-	-	83
<b>TOTAL ASSETS</b>	<b>\$ 342,565</b>	<b>\$ 291,805</b>	<b>\$ 151,767</b>	<b>\$ 48,464</b>	<b>\$ 834,601</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 6,865	\$ -	\$ -	\$ 1,205	\$ 8,070
<b>TOTAL LIABILITIES</b>	<b>6,865</b>	<b>-</b>	<b>-</b>	<b>1,205</b>	<b>8,070</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	335,700	-	151,767	47,259	534,726
Committed	-	-	-	-	-
Assigned	-	291,805	-	-	291,805
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>335,700</b>	<b>291,805</b>	<b>151,767</b>	<b>47,259</b>	<b>826,531</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 342,565</b>	<b>\$ 291,805</b>	<b>\$ 151,767</b>	<b>\$ 48,464</b>	<b>\$ 834,601</b>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF SHELBURNE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Recreation/ Impact Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<b>REVENUES</b>					
Intergovernmental	\$ 44,448	\$ 28,300	\$ -	\$ -	\$ 72,748
Investment income	935	-	-	-	935
Charges for services	47,996	-	-	-	47,996
Other	370	-	45,932	6,234	52,536
<b>TOTAL REVENUES</b>	<u>93,749</u>	<u>28,300</u>	<u>45,932</u>	<u>6,234</u>	<u>174,215</u>
<b>EXPENDITURES</b>					
Current:					
Recreation and parks	32,244	3,345	-	6,015	41,604
<b>TOTAL EXPENDITURES</b>	<u>32,244</u>	<u>3,345</u>	<u>-</u>	<u>6,015</u>	<u>41,604</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>61,505</u>	<u>24,955</u>	<u>45,932</u>	<u>219</u>	<u>132,611</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	20,674	-	-	5,100	25,774
Transfers (Out)	(216)	-	-	-	(216)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>20,458</u>	<u>-</u>	<u>-</u>	<u>5,100</u>	<u>25,558</u>
<b>NET CHANGE IN FUND BALANCES</b>	81,963	24,955	45,932	5,319	158,169
<b>FUND BALANCES - JULY 1, RESTATED</b>	<u>253,737</u>	<u>266,850</u>	<u>105,835</u>	<u>41,940</u>	<u>668,362</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 335,700</u>	<u>\$ 291,805</u>	<u>\$ 151,767</u>	<u>\$ 47,259</u>	<u>\$ 826,531</u>

See accompanying independent auditor's report and notes to financial statements.

## Capital Project Funds

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

TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2021

	Bay Park Fund	Pinehaven Stormwater Fund	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Open Land Trust Fund	Police Fund	Irish Hill Path/Bridge Fund	Fire Truck Fund	Total
<b>ASSETS</b>									
Due from other funds	\$ 47,924	\$ -	\$ 137,774	\$ 21,792	\$ 165,229	\$ -	\$ 16,330	\$ 62,788	\$ 451,837
<b>TOTAL ASSETS</b>	<b>\$ 47,924</b>	<b>\$ -</b>	<b>\$ 137,774</b>	<b>\$ 21,792</b>	<b>\$ 165,229</b>	<b>\$ -</b>	<b>\$ 16,330</b>	<b>\$ 62,788</b>	<b>\$ 451,837</b>
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ 11,495	\$ -	\$ -	\$ -	\$ 27,655	\$ 32,338	\$ -	\$ 71,488
Due to other funds	-	633,420	-	-	-	45,841	-	-	679,261
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>644,915</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,496</b>	<b>32,338</b>	<b>-</b>	<b>750,749</b>
<b>FUND BALANCES (DEFICITS)</b>									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	137,774	-	-	-	-	62,788	200,562
Committed	47,924	-	-	-	165,229	-	-	-	213,153
Assigned	-	-	-	21,792	-	-	-	-	21,792
Unassigned	-	(644,915)	-	-	-	(73,496)	(16,008)	-	(734,419)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>47,924</b>	<b>(644,915)</b>	<b>137,774</b>	<b>21,792</b>	<b>165,229</b>	<b>(73,496)</b>	<b>(16,008)</b>	<b>62,788</b>	<b>(298,912)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 47,924</b>	<b>\$ -</b>	<b>\$ 137,774</b>	<b>\$ 21,792</b>	<b>\$ 165,229</b>	<b>\$ -</b>	<b>\$ 16,330</b>	<b>\$ 62,788</b>	<b>\$ 451,837</b>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELBURNE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Bay Park Fund	Pinehaven Stormwater Fund	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Open Land Trust Fund	Police Fund	Irish Hill Path/Bridge Fund	Fire Truck Fund	Total
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,269	\$ -	\$ 25,269
Other	4,200	-	547	-	-	42,508	-	-	47,255
TOTAL REVENUES	4,200	-	547	-	-	42,508	25,269	-	72,524
EXPENDITURES									
Current:									
Public safety	-	-	-	-	-	12,196	-	-	12,196
Culture and recreation	2,000	-	-	-	-	-	-	-	2,000
Debt service:									
Principal	-	-	148,513	-	-	-	-	-	148,513
Interest	-	-	6,240	-	-	-	-	-	6,240
Capital outlay	-	603,517	134,974	-	-	333,485	41,277	46,172	1,159,425
TOTAL EXPENDITURES	2,000	603,517	289,727	-	-	345,681	41,277	46,172	1,328,374
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,200	(603,517)	(289,180)	-	-	(303,173)	(16,008)	(46,172)	#####
OTHER FINANCING SOURCES (USES)									
Loan proceeds	-	-	120,000	-	-	-	-	-	120,000
Transfers in	-	-	100,500	-	30,000	87,000	-	50,000	267,500
Transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	220,500	-	30,000	87,000	-	50,000	387,500
NET CHANGE IN FUND BALANCES (DEFICITS)	2,200	(603,517)	(68,680)	-	30,000	(216,173)	(16,008)	3,828	(868,350)
FUND BALANCES (DEFICITS) - JULY 1	45,724	(41,398)	206,454	21,792	135,229	142,677	-	58,960	569,438
FUND BALANCES (DEFICITS) - JUNE 30	\$ 47,924	\$ (644,915)	\$ 137,774	\$ 21,792	\$ 165,229	\$ (73,496)	\$ (16,008)	\$ 62,788	\$ (298,912)

See accompanying independent auditor's report and notes to financial statements.

## Permanent Funds

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

## TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2021

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 92,656	\$ 2,518	\$ -	\$ 95,174
Investments	-	237,927	51,517	289,444
Due from other funds	59	105,044	-	105,103
<b>TOTAL ASSETS</b>	<u>\$ 92,715</u>	<u>\$ 345,489</u>	<u>\$ 51,517</u>	<u>\$ 489,721</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 5,081	\$ 5,081
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>5,081</u>	<u>5,081</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	92,715	345,489	46,436	484,640
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>92,715</u>	<u>345,489</u>	<u>46,436</u>	<u>484,640</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 92,715</u>	<u>\$ 345,489</u>	<u>\$ 51,517</u>	<u>\$ 489,721</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELBURNE, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
REVENUES				
Interest / Gains and losses	\$ 68,554	\$ 37,233	\$ 3,007	\$ 108,794
TOTAL REVENUES	<u>68,554</u>	<u>37,233</u>	<u>3,007</u>	<u>108,794</u>
EXPENDITURES				
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	68,554	37,233	3,007	108,794
FUND BALANCES - JANUARY 1	<u>24,161</u>	<u>308,256</u>	<u>43,429</u>	<u>375,846</u>
FUND BALANCES - DECEMBER 31	<u>\$ 92,715</u>	<u>\$ 345,489</u>	<u>\$ 46,436</u>	<u>\$ 484,640</u>

See accompanying independent auditor's report and notes to financial statements.



Proven Expertise & Integrity

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  
Shelburne, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Town of Shelburne, Vermont's basic financial statements and have issued our report thereon dated June 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Shelburne, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shelburne, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609  
[www.rhrsmith.com](http://www.rhrsmith.com)

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

### Compliance and Other Matters

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

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

### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
Vermont Registration No. 092.0000697  
June 20, 2023