

Audited Financial Statements  
and Other Financial Information

**Town of Shelburne, Vermont**

June 30, 2022



*Proven Expertise & Integrity*

TOWN OF SHELBURNE, VERMONT

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JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Selectboard  
Town of Shelburne  
Shelburne, Vermont

### Report on the Audit of the Financial Statements

#### *Opinions*

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, 2022 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2022 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Shelburne, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Shelburne, Vermont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shelburne, Vermont's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Town of Shelburne, Vermont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### *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 5 through 12 and 61 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.

### *Supplementary 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 fund financial statements and capital asset schedules are presented for purposes of additional analysis are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual nonmajor fund financial statements and capital asset schedules 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 September 11, 2024, on our consideration of the Town of Shelburne, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town of Shelburne Vermont's 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  
September 11, 2024

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**(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, 2022. 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, pension 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, sewer, sewer capital, stormwater improvements and mixed funds reserve 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 ARPA 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 five proprietary funds, the water fund, sewer fund, sewer capital funds, stormwater improvements and mixed funds reserve. 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 increased by \$4,097,820 from \$13,859,614 to \$17,957,434. For the business-type activities, the Town's total net position increased by \$480,335 from \$12,494,421 to \$12,974,756.

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 - increased for the governmental activities by \$1,762,604 to a balance of \$3,144,446 at the end of the fiscal year. For the business-type activities, the unrestricted net position decreased by \$398,371 to a balance of \$1,848,615.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021 (Restated)</u>	<u>2022</u>	<u>2021 (Restated)</u>
<b>Assets:</b>				
Current Assets	\$ 7,326,924	\$ 5,725,242	\$ 3,259,256	\$ 2,657,515
Noncurrent Assets - Capital Assets	20,383,700	18,944,175	14,300,584	14,510,635
Total Assets	<u>\$ 27,710,624</u>	<u>\$ 24,669,417</u>	<u>\$ 17,559,840</u>	<u>\$ 17,168,150</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	\$ 364,317	\$ 759,060	\$ 181,107	\$ 125,728
Total Deferred Outflows of Resources	<u>\$ 364,317</u>	<u>\$ 759,060</u>	<u>\$ 181,107</u>	<u>\$ 125,728</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 1,138,330	\$ 2,569,543	\$ 1,591,798	\$ 987,135
Noncurrent Liabilities	7,269,757	8,915,843	2,925,182	3,810,920
Total Liabilities	<u>\$ 8,408,087</u>	<u>\$ 11,485,386</u>	<u>\$ 4,516,980</u>	<u>\$ 4,798,055</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid Taxes	\$ 64,925	\$ 75,012	\$ -	\$ -
Deferred Revenue	1,143,178	-	-	-
Deferred Inflows Related to Pensions	501,317	8,465	249,211	1,402
Total Deferred Inflows of Resources	<u>\$ 1,709,420</u>	<u>\$ 83,477</u>	<u>\$ 249,211</u>	<u>\$ 1,402</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	\$ 13,467,800	\$ 11,204,175	\$ 11,126,141	\$ 10,247,435
Restricted	1,345,188	1,273,597	-	-
Unrestricted	3,144,446	1,381,842	1,848,615	2,246,986
Total Net Position	<u>\$ 17,957,434</u>	<u>\$ 13,859,614</u>	<u>\$ 12,974,756</u>	<u>\$ 12,494,421</u>

## Revenues and Expenses

Revenues for the Town's governmental activities increased by 13.26%, while total expenses decreased by 33.68%. The largest increases in revenues were in charges for services and miscellaneous. The largest decreases in expenses were in general government, public safety, public works and capital outlay. For the business-type activities, revenues increased by 8.74% mainly due to charges for services, while total expenses increased by 30.74%.

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

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 1,922,258	\$ 1,148,649	\$ 3,885,184	\$ 3,593,975
Operating grants and contributions	432,038	190,420	-	-
<i>General Revenues:</i>				
Taxes	7,281,148	7,490,135	-	-
Grants and contracts not restricted to specific programs	-	136,986	-	130,690
Miscellaneous	1,344,878	728,193	205,775	33,121
Total Revenues	10,980,322	9,694,383	4,090,959	3,757,786
<b>Expenses</b>				
General government	2,014,844	2,539,698	-	-
Public safety	1,470,990	3,236,606	-	-
Public works	1,046,815	1,542,972	-	-
Health and welfare	89,299	99,277	-	-
Culture and recreation	1,224,505	1,018,080	-	-
Intergovernmental	190,172	196,541	-	-
Employee benefits	243,798	224,331	-	-
Other	90,202	173,100	-	-
Capital outlay	-	680,680	-	-
Interest on long-term debt	213,077	216,574	-	-
Water	-	-	1,637,246	1,232,752
Sewer	-	-	2,127,242	1,320,168
Stormwater improvements	-	-	144,936	433,529
Total Expenses	6,583,702	9,927,859	3,909,424	2,986,449
Transfers	(298,800)	(143,871)	298,800	143,871
Change in Net Position	4,097,820	(377,347)	480,335	915,208
Net Position - July 1, Restated	13,859,614	14,236,961	12,494,421	11,579,213
Net Position - June 30	\$ 17,957,434	\$ 13,859,614	\$ 12,974,756	\$ 12,494,421

### 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>2022</u>	<u>2021 (Restated)</u>	<u>Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 52,059	\$ 100,022	\$ (47,963)
Committed	211,557	211,557	-
Unassigned	3,108,908	2,009,019	1,099,889
Total General Fund	<u>\$ 3,372,524</u>	<u>\$ 2,320,598</u>	<u>\$ 1,051,926</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 645,602	\$ 588,395	\$ 57,207
Assigned	213,451	291,805	(78,354)
Capital Project Funds:			
Restricted	176,767	200,562	(23,795)
Committed	399,965	213,153	186,812
Assigned	21,792	21,792	-
Unassigned (deficit)	(84,873)	(734,419)	649,546
Permanent Funds:			
Restricted	522,819	484,640	38,179
Total Nonmajor Funds	<u>\$ 1,895,523</u>	<u>\$ 1,065,928</u>	<u>\$ 829,595</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 decreased by \$277,956 over the prior fiscal year. The sewer fund's net position increased by \$175,678 over the prior fiscal year. The sewer capital fund's net position increased by \$248,053 over the prior fiscal year. The stormwater improvements fund's net position increased by \$166,521 over the prior fiscal year. The mixed funds reserve fund's net position increased by \$168,039 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 exceeded budgeted amounts by \$1,080,489. All revenue categories were receipted in excess of budgeted amounts except for miscellaneous revenues and transfers from other funds.

The general fund actual expenditures exceeded budgeted amounts by \$28,563. All expenditure categories were below budgeted amounts except for employee benefits, other, debt service - principal and transfers to other funds.

## **Capital Asset and Debt Administration**

### **Capital Assets**

As of June 30, 2022, the net book value of capital assets recorded by the Town increased by \$1,211,539 over the prior year. The increase is the result of capital additions of \$2,821,268 less current year depreciation of \$1,609,729. Refer to Note 6 of the Notes to Financial Statements for detailed information.

**Table 4**  
**Town of Shelburne, Vermont**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<b>2022</b>	<b>2021 (Restated)</b>
Land	\$ 2,192,497	\$ 1,542,497
Construction in progress	347,347	497,099
Buildings and improvements	18,523,861	18,482,489
Machinery and equipment	4,015,856	3,835,616
Furniture and Fixtures	113,380	98,474
Vehicles	4,589,410	4,518,940
Infrastructure	32,821,483	30,914,311
Accumulated depreciation	(27,919,550)	(26,416,681)
Total	\$ 34,684,284	\$ 33,472,745

### **Debt**

At June 30, 2022, the Town had \$10,040,718 in bonds and notes from direct borrowings payable outstanding versus \$11,715,668 last year, a decrease of 16.11%. Refer to Note 7 of the Notes to Financial Statements for detailed information.

### **Currently Known Facts, Decisions or Conditions**

#### **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 four 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, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 7,488,095	\$ 253,759	\$ 7,741,854
Investments	1,385,309	620,238	2,005,547
Accounts receivable (net of allowance for uncollectibles)	387,456	348,777	736,233
Prepaid items	52,156	47,890	100,046
Inventory	-	2,500	2,500
Internal balances	(1,986,092)	1,986,092	-
Total current assets	<u>7,326,924</u>	<u>3,259,256</u>	<u>10,586,180</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure and other assets not being depreciated	2,401,810	138,034	2,539,844
Buildings, equipment, vehicles and infrastructure net of accumulated depreciation	<u>17,981,890</u>	<u>14,162,550</u>	<u>32,144,440</u>
Total noncurrent assets	<u>20,383,700</u>	<u>14,300,584</u>	<u>34,684,284</u>
<b>TOTAL ASSETS</b>	<u>27,710,624</u>	<u>17,559,840</u>	<u>45,270,464</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>364,317</u>	<u>181,107</u>	<u>545,424</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>364,317</u>	<u>181,107</u>	<u>545,424</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 28,074,941</u>	<u>\$ 17,740,947</u>	<u>\$ 45,815,888</u>

STATEMENT A (CONTINUED)  
TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION  
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 472,808	\$ 145,689	\$ 618,497
Accrued payroll and benefits	-	739,292	739,292
Accrued interest	76,071	10,833	86,904
Unearned revenue	-	21,062	21,062
Current portion of long-term obligations	589,451	674,922	1,264,373
<b>Total current liabilities</b>	<b>1,138,330</b>	<b>1,591,798</b>	<b>2,730,128</b>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	6,185,000	644,136	6,829,136
Notes from direct borrowings payable	141,449	1,855,385	1,996,834
Accrued compensated absences	229,615	70,873	300,488
Net pension liability	713,693	354,788	1,068,481
<b>Total noncurrent liabilities</b>	<b>7,269,757</b>	<b>2,925,182</b>	<b>10,194,939</b>
<b>TOTAL LIABILITIES</b>	<b>8,408,087</b>	<b>4,516,980</b>	<b>12,925,067</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	64,925	-	64,925
Deferred revenue (ARPA)	1,143,178	-	1,143,178
Deferred inflows related to pensions	501,317	249,211	750,528
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,709,420</b>	<b>249,211</b>	<b>1,958,631</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,467,800	11,126,141	24,593,941
Restricted	1,345,188	-	1,345,188
Unrestricted	3,144,446	1,848,615	4,993,061
<b>TOTAL NET POSITION</b>	<b>17,957,434</b>	<b>12,974,756</b>	<b>30,932,190</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 28,074,941</b>	<b>\$ 17,740,947</b>	<b>\$ 45,815,888</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, 2022

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	\$ 2,014,844	\$ 283,903	\$ -	\$ -	\$ (1,730,941)	\$ -	\$ (1,730,941)
Public safety	1,470,990	1,150,910	-	-	(320,080)	-	(320,080)
Public works	1,046,815	243,164	277,905	-	(525,746)	-	(525,746)
Health and welfare	89,299	-	-	-	(89,299)	-	(89,299)
Culture and recreation	1,224,505	176,874	-	-	(1,047,631)	-	(1,047,631)
Intergovernmental	190,172	-	154,133	-	(36,039)	-	(36,039)
Employee benefits	243,798	-	-	-	(243,798)	-	(243,798)
Other	90,202	67,407	-	-	(22,795)	-	(22,795)
Interest on long-term debt	213,077	-	-	-	(213,077)	-	(213,077)
Total governmental activities	<u>6,583,702</u>	<u>1,922,258</u>	<u>432,038</u>	<u>-</u>	<u>(4,229,406)</u>	<u>-</u>	<u>(4,229,406)</u>
Business-type activities:							
Water fund	1,637,246	1,281,609	-	-	-	(355,637)	(355,637)
Sewer fund	2,127,242	2,222,994	-	-	-	95,752	95,752
Sewer capital	-	246,368	-	-	-	246,368	246,368
Stormwater improvements	144,936	134,213	-	-	-	(10,723)	(10,723)
Total business-type activities	<u>3,909,424</u>	<u>3,885,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,240)</u>	<u>(24,240)</u>
Total government	<u>\$10,493,126</u>	<u>\$5,807,442</u>	<u>\$ 432,038</u>	<u>\$ -</u>	<u>(4,229,406)</u>	<u>(24,240)</u>	<u>(4,253,646)</u>

STATEMENT B (CONTINUED)

TOWN OF SHELBURNE, VERMONT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(4,229,406)</u>	<u>(24,240)</u>	<u>(4,253,646)</u>
General revenue:			
Taxes:			
Property taxes, levied for general purposes	7,281,148	-	7,281,148
Miscellaneous	1,344,878	205,775	1,550,653
Transfers	<u>(298,800)</u>	<u>298,800</u>	<u>-</u>
Total general revenues	<u>8,327,226</u>	<u>504,575</u>	<u>8,831,801</u>
Change in net position	4,097,820	480,335	4,578,155
NET POSITION - JULY 1, RESTATED	<u>13,859,614</u>	<u>12,494,421</u>	<u>26,354,035</u>
NET POSITION - JUNE 30	<u>\$ 17,957,434</u>	<u>\$ 12,974,756</u>	<u>\$ 30,932,190</u>

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

## TOWN OF SHELBURNE, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022

	General Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,244,299	\$ 1,143,178	\$ 100,618	\$ 7,488,095
Investments	931,195	-	454,114	1,385,309
Accounts receivable (net of allowance for uncollectibles)	387,456	-	-	387,456
Prepaid items	52,059	-	97	52,156
Due from other funds	921,265	-	1,506,320	2,427,585
<b>TOTAL ASSETS</b>	<b><u>\$ 8,536,274</u></b>	<b><u>\$ 1,143,178</u></b>	<b><u>\$ 2,061,149</u></b>	<b><u>\$ 11,740,601</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 472,808	\$ -	\$ -	\$ 472,808
Accrued expenses	76,071	-	-	76,071
Due to other funds	4,248,051	-	165,626	4,413,677
<b>TOTAL LIABILITIES</b>	<b><u>4,796,930</u></b>	<b><u>-</u></b>	<b><u>165,626</u></b>	<b><u>4,962,556</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	64,925	-	-	64,925
Unavailable other receivables	301,895	-	-	301,895
Deferred revenue (ARPA)	-	1,143,178	-	1,143,178
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>366,820</u></b>	<b><u>1,143,178</u></b>	<b><u>-</u></b>	<b><u>1,509,998</u></b>
<b>FUND BALANCES</b>				
Nonspendable	52,059	-	-	52,059
Restricted	-	-	1,345,188	1,345,188
Committed	211,557	-	399,965	611,522
Assigned	-	-	235,243	235,243
Unassigned	3,108,908	-	(84,873)	3,024,035
<b>TOTAL FUND BALANCES</b>	<b><u>3,372,524</u></b>	<b><u>-</u></b>	<b><u>1,895,523</u></b>	<b><u>5,268,047</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 8,536,274</u></b>	<b><u>\$ 1,143,178</u></b>	<b><u>\$ 2,061,149</u></b>	<b><u>\$ 11,740,601</u></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, 2022

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 5,268,047
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	20,383,700
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Deferred revenues	301,895
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	364,317
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(6,715,000)
Notes from direct borrowings payable	(200,900)
Accrued compensated absences	(229,615)
Net pension liability	(713,693)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	<u>(501,317)</u>
Net position of governmental activities	<u><u>\$ 17,957,434</u></u>

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, 2022

	General Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 7,679,541	\$ -	\$ -	\$ 7,679,541
Intergovernmental	308,160	11,188	112,690	432,038
Charges for services	1,854,851	-	67,407	1,922,258
Miscellaneous revenues	396,635	-	766,216	1,162,851
<b>TOTAL REVENUES</b>	<b>10,239,187</b>	<b>11,188</b>	<b>946,313</b>	<b>11,196,688</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,972,716	-	-	1,972,716
Public safety	2,887,037	-	762	2,887,799
Public works	1,173,894	-	-	1,173,894
Health and welfare	89,299	-	-	89,299
Culture and recreation	830,175	11,188	85,880	927,243
Intergovernmental	190,172	-	-	190,172
Employee benefits	243,798	-	-	243,798
Other	78,961	-	11,241	90,202
Debt service:				
Principal	831,283	-	40,000	871,283
Interest	210,334	-	2,743	213,077
Capital outlay	-	-	356,884	356,884
<b>TOTAL EXPENDITURES</b>	<b>8,507,669</b>	<b>11,188</b>	<b>497,510</b>	<b>9,016,367</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,731,518</b>	<b>-</b>	<b>448,803</b>	<b>2,180,321</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	496,097	-	486,968	983,065
Transfers (out)	(1,175,689)	-	(106,176)	(1,281,865)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(679,592)</b>	<b>-</b>	<b>380,792</b>	<b>(298,800)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,051,926</b>	<b>-</b>	<b>829,595</b>	<b>1,881,521</b>
<b>FUND BALANCES - JULY 1, RESTATED</b>	<b>2,320,598</b>	<b>-</b>	<b>1,065,928</b>	<b>3,386,526</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 3,372,524</b>	<b>\$ -</b>	<b>\$ 1,895,523</b>	<b>\$ 5,268,047</b>

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, 2022

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 1,881,521</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	2,483,726
Depreciation expense	<u>(1,044,201)</u>
	<u>1,439,525</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported	
Taxes and liens receivable	(398,393)
Deferred revenues	<u>182,027</u>
	<u>(216,366)</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>(394,743)</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>824,100</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:	
Accrued compensated absences	8,619
Net pension liability	<u>1,048,016</u>
	<u>1,056,635</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>(492,852)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 4,097,820</u></u>

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

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2022

	Enterprise Funds					Total
	Water Fund	Sewer Fund	Sewer Capital	Stormwater Improvements	Mixed Funds Reserve	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 39,346	\$ -	\$ 85,189	\$ -	\$ 129,224	\$ 253,759
Investments	501,491	-	118,747	-	-	620,238
Accounts receivable (net of allowance for uncollectibles)	164,549	176,177	585	7,466	-	348,777
Prepaid items	-	47,890	-	-	-	47,890
Inventory	2,500	-	-	-	-	2,500
Due from other funds	-	742,332	911,176	309,724	778,499	2,741,731
Total current assets	<u>707,886</u>	<u>966,399</u>	<u>1,115,697</u>	<u>317,190</u>	<u>907,723</u>	<u>4,014,895</u>
Capital assets:						
Land and construction in progress	25,190	112,844	-	-	-	138,034
Buildings and improvements	41,989	1,712,719	-	-	-	1,754,708
Equipment, machinery and vehicles	60,955	713,000	-	-	-	773,955
Infrastructure	<u>5,173,465</u>	<u>19,121,331</u>	-	-	-	<u>24,294,796</u>
Total capital assets	5,301,599	21,659,894	-	-	-	26,961,493
Less: accumulated depreciation	<u>(2,347,967)</u>	<u>(10,312,942)</u>	-	-	-	<u>(12,660,909)</u>
Net capital assets	<u>2,953,632</u>	<u>11,346,952</u>	-	-	-	<u>14,300,584</u>
<b>TOTAL ASSETS</b>	<u>3,661,518</u>	<u>12,313,351</u>	<u>1,115,697</u>	<u>317,190</u>	<u>907,723</u>	<u>18,315,479</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	<u>69,367</u>	<u>111,740</u>	-	-	-	<u>181,107</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>69,367</u>	<u>111,740</u>	-	-	-	<u>181,107</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,730,885</u>	<u>\$ 12,425,091</u>	<u>\$ 1,115,697</u>	<u>\$ 317,190</u>	<u>\$ 907,723</u>	<u>\$ 18,496,586</u>

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2022

	Enterprise Funds					Total
	Water Fund	Sewer Fund	Sewer Capital	Stormwater Improvements	Mixed Funds Reserve	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 52,604	\$ 86,247	\$ -	\$ 6,838	\$ -	\$ 145,689
Accrued expenses	96	-	-	-	739,196	739,292
Accrued interest	10,256	577	-	-	-	10,833
Due to other funds	755,639	-	-	-	-	755,639
Unearned revenue	17,173	3,889	-	-	-	21,062
Current portion of long-term liabilities	116,729	558,193	-	-	-	674,922
Total current liabilities	<u>952,497</u>	<u>648,906</u>	<u>-</u>	<u>6,838</u>	<u>739,196</u>	<u>2,347,437</u>
Noncurrent liabilities:						
Noncurrent portion of long-term obligations:						
Bonds payable	405,000	239,136	-	-	-	644,136
Notes from direct borrowings payable	37,896	1,817,489	-	-	-	1,855,385
Accrued compensated absences	39,106	31,767	-	-	-	70,873
Net pension liability	135,890	218,898	-	-	-	354,788
Total noncurrent liabilities	<u>617,892</u>	<u>2,307,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,925,182</u>
<b>TOTAL LIABILITIES</b>	<u>1,570,389</u>	<u>2,956,196</u>	<u>-</u>	<u>6,838</u>	<u>739,196</u>	<u>5,272,619</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to pensions	95,452	153,759	-	-	-	249,211
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>95,452</u>	<u>153,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,211</u>
<b>NET POSITION</b>						
Net investment in capital assets	2,394,007	8,732,134	-	-	-	11,126,141
Unrestricted	(328,963)	583,002	1,115,697	310,352	168,527	1,848,615
<b>TOTAL NET POSITION</b>	<u>2,065,044</u>	<u>9,315,136</u>	<u>1,115,697</u>	<u>310,352</u>	<u>168,527</u>	<u>12,974,756</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 3,730,885</u>	<u>\$ 12,425,091</u>	<u>\$ 1,115,697</u>	<u>\$ 317,190</u>	<u>\$ 907,723</u>	<u>\$ 18,496,586</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, 2022

	Enterprise Funds					Total
	Water Fund	Sewer Fund	Sewer Capital	Stormwater Improvements	Mixed Funds Reserve	
OPERATING REVENUES						
Charges for services	\$ 1,281,609	\$ 2,222,994	\$ 246,368	\$ 134,213	\$ -	\$ 3,885,184
Other	2,053	37,316	-	21,244	-	60,613
TOTAL OPERATING REVENUES	<u>1,283,662</u>	<u>2,260,310</u>	<u>246,368</u>	<u>155,457</u>	<u>-</u>	<u>3,945,797</u>
OPERATING EXPENSES						
Salaries and wages	216,915	382,065	-	-	-	598,980
Administrative charges	51,782	50,766	-	21,253	-	123,801
Benefits	207,403	267,396	-	-	-	474,799
Insurance	350	61,740	-	-	-	62,090
Professional services	-	266,490	-	64,332	-	330,822
Utilities	-	254,705	-	-	-	254,705
Sludge removal	-	103,856	-	-	-	103,856
Water supply and engineering	458,537	-	-	-	-	458,537
Maintenance	552,490	184,886	-	44,645	-	782,021
Chemicals	-	84,982	-	-	-	84,982
Equipment	4,580	-	-	-	-	4,580
Miscellaneous	23,816	7,528	-	14,706	-	46,050
Depreciation	102,706	462,828	-	-	-	565,534
TOTAL OPERATING EXPENSES	<u>1,618,579</u>	<u>2,127,242</u>	<u>-</u>	<u>144,936</u>	<u>-</u>	<u>3,890,757</u>
OPERATING INCOME	<u>(334,917)</u>	<u>133,068</u>	<u>246,368</u>	<u>10,521</u>	<u>-</u>	<u>55,040</u>
NONOPERATING REVENUES (EXPENSES)						
Water tank revenue	136,551	-	-	-	-	136,551
Investment income	2,077	4,810	1,685	-	39	8,611
Transfers in	-	92,800	-	206,000	168,000	466,800
Transfers (out)	(63,000)	(55,000)	-	(50,000)	-	(168,000)
Interest (expense)	(18,667)	-	-	-	-	(18,667)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>56,961</u>	<u>42,610</u>	<u>1,685</u>	<u>156,000</u>	<u>168,039</u>	<u>425,295</u>
CHANGE IN NET POSITION	<u>(277,956)</u>	<u>175,678</u>	<u>248,053</u>	<u>166,521</u>	<u>168,039</u>	<u>480,335</u>
NET POSITION - JULY 1, RESTATED	<u>2,343,000</u>	<u>9,139,458</u>	<u>867,644</u>	<u>143,831</u>	<u>488</u>	<u>12,494,421</u>
NET POSITION - JUNE 30	<u>\$ 2,065,044</u>	<u>\$ 9,315,136</u>	<u>\$ 1,115,697</u>	<u>\$ 310,352</u>	<u>\$ 168,527</u>	<u>\$ 12,974,756</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, 2022

	Enterprise Funds					Total
	Water Fund	Sewer Fund	Sewer Capital	Stormwater Improvements	Mixed Funds Reserve	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 1,468,145	\$ 2,582,412	\$ 251,765	\$ 126,747	\$ -	\$ 4,429,069
Other receipts	2,053	37,316	-	21,244	-	60,613
Internal activity - receipts (payments) from/to other funds	24,352	(111,990)	(251,767)	(165,853)	(163,750)	(669,008)
Payments to suppliers	(1,067,493)	(972,256)	-	(116,885)	(4,250)	(2,160,884)
Payments to employees	(349,578)	(571,335)	-	(21,253)	-	(942,166)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>77,479</b>	<b>964,147</b>	<b>(2)</b>	<b>(156,000)</b>	<b>(168,000)</b>	<b>717,624</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income	2,077	4,810	1,685	-	39	8,611
Change in investments	(2,076)	-	23,354	-	129,185	150,463
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>1</b>	<b>4,810</b>	<b>25,039</b>	<b>-</b>	<b>129,224</b>	<b>159,074</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Capital asset purchases	(76,988)	(260,907)	-	-	-	(337,895)
Proceeds from bonds and notes payable	51,796	-	-	-	-	51,796
Principal payments on bonds and notes payable	(107,171)	(745,850)	-	-	-	(853,021)
Interest payments on bonds and notes payable	(18,667)	-	-	-	-	(18,667)
<b>NET CASH PROVIDED BY (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(151,030)</b>	<b>(1,006,757)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,157,787)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in (out)	(63,000)	37,800	-	156,000	168,000	298,800
Water tank rental revenue	136,551	-	-	-	-	136,551
<b>NET CASH PROVIDED BY (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>73,551</b>	<b>37,800</b>	<b>-</b>	<b>156,000</b>	<b>168,000</b>	<b>435,351</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1</b>	<b>-</b>	<b>25,037</b>	<b>-</b>	<b>129,224</b>	<b>154,262</b>
<b>CASH AND CASH EQUIVALENTS - JULY 1</b>	<b>39,345</b>	<b>-</b>	<b>60,152</b>	<b>-</b>	<b>-</b>	<b>99,497</b>
<b>CASH AND CASH EQUIVALENTS - JUNE 30</b>	<b>\$ 39,346</b>	<b>\$ -</b>	<b>\$ 85,189</b>	<b>\$ -</b>	<b>\$ 129,224</b>	<b>\$ 253,759</b>

## TOWN OF SHELBURNE, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund	Sewer Fund	Sewer Capital	Stormwater Improvements	Mixed Funds Reserve	Total
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income	\$ (334,917)	\$ 133,068	\$ 246,368	\$ 10,521	\$ -	\$ 55,040
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	102,706	462,828	-	-	-	565,534
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	183,751	359,418	5,397	(7,466)	-	541,100
(Increase) decrease in prepaid items	-	(31,183)	-	-	-	(31,183)
(Increase) decrease in inventory	-	-	-	-	-	-
(Increase) decrease in due from other funds	-	(111,990)	(251,767)	(165,853)	(163,750)	(693,360)
(Increase) decrease in deferred outflows of resources	(42,752)	(12,627)	-	-	-	(55,379)
Increase (decrease) in accounts payable	(27,273)	25,100	-	6,798	(4,248)	377
Increase (decrease) in accrued interest	-	-	-	-	-	-
Increase (decrease) in accrued expenses	(447)	(1,986)	-	-	(2)	(2,435)
Increase (decrease) in unearned revenues	2,785	-	-	-	-	2,785
Increase (decrease) in due to other funds	24,352	-	-	-	-	24,352
Increase (decrease) in accrued compensated absences	-	-	-	-	-	-
Increase (decrease) in net pension liability	74,119	(11,135)	-	-	-	62,984
Increase (decrease) in deferred inflows of resources	95,155	152,654	-	-	-	247,809
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 77,479</u>	<u>\$ 964,147</u>	<u>\$ (2)</u>	<u>\$ (156,000)</u>	<u>\$ (168,000)</u>	<u>\$ 717,624</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid during the year for:						
Interest	<u>\$ 18,667</u>	<u>\$ -</u>	<u>\$ 18,667</u>	<u>\$ -</u>	<u>\$ 23,982</u>	<u>\$ 61,316</u>

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

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, employee benefits and other.

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.

**Implementation of New Accounting Standards**

During the year ended June 30, 2022, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 87 "Leases". The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 91 “Conduit Debt Obligations”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 92 “Omnibus 2020”. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 “Replacement of Interbank Offered Rates (paragraphs 13-14)”. The primary objectives of paragraphs 13-14 concern provisions of lease contracts that are amended while the contract is in effect. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 97 “*Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*”. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. 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 fund, sewer fund, sewer capital, stormwater improvements and mixed funds reserve are categorized as business-type activities. All other activities of the Town are categorized as governmental.

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) 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, public safety, 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.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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 ARPA Fund is funding used for school improvements, student programs, staffing and enhanced financial stability. The revenue source is government grant 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.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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:

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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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 July 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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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, 2022. Loans and accounts receivable netted with allowances for uncollectible accounts were \$2,516,233 for the year ended June 30, 2022.

**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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other 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 balance sheet. Prepaid taxes and deferred revenue (ARPA) 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.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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, 2022, the Town's cash balance of \$7,741,854,741,854 was comprised of deposits amounting to \$8,022,715,802,715. 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, \$342,994 was insured by federal depository insurance and \$27,559 were collateralized and insured by Securities Investors Protection Corporation (SIPC) and consequently was not exposed to custodial credit risk. The remaining deposits of \$7,652,162 were collateralized with securities held by the financial institution in the Town's name and therefore were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 7,995,156
Cash equivalents	27,559
	<u>\$ 8,022,715</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**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 arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$1,728,923 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, 2022, the Town's investments of \$2,005,547 were comprised of certificates of deposit, U.S. agency securities, common stock and equity securities. Of this amount, \$202,631 were collateralized and insured by Securities Investors Protection Corporation (SIPC), \$73,993 were held in common stock registered to the Town and \$370,985 were insured by federal depository insurance. Investments of \$658,736 were collateralized with securities held by the financial institution in the Town's name and therefore were not exposed to custodial credit risk. \$26,278 were insured by the National Credit Union Share Insurance Fund (NCUSIF). The remaining balance of \$672,924 was uninsured and uncollateralized.

The Town had the following investments at June 30, 2022:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years	> 5 Years
U.S. Agency Securities	\$ 91,669	\$ -	\$ 91,669	\$ -	\$ -
Institutional certificates of deposit	40,694	-	3,015	37,679	-
Common stock	73,993	73,993	-	-	-
Index funds	70,268	70,268	-	-	-
	<u>\$ 276,624</u>	<u>\$ 144,261</u>	<u>\$ 94,684</u>	<u>\$ 37,679</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, 2022:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2022 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	\$ 91,669	\$ -	\$ 91,669	\$ -
Institutional certificates of deposit	40,694	-	40,694	-
Total debt securities	<u>132,363</u>	<u>-</u>	<u>132,363</u>	<u>-</u>
Equity securities:				
Common stock - domestic	\$ 73,993	\$ 73,993	\$ -	\$ -
Index funds	70,268	70,268	-	-
Total equity securities	<u>144,261</u>	<u>144,261</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>276,624</u>	<u>\$ 144,261</u>	<u>\$ 132,363</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	<u>27,559</u>			
Total cash equivalents measured at the NAV	<u>27,559</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 304,183</u>			

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, 2022 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 \$1,728,923 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.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2022 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 921,265	\$ 4,248,051
Enterprise Funds	2,741,731	755,639
Nonmajor Special Revenue Funds	709,025	-
Nonmajor Capital Projects Funds	679,241	165,590
Nonmajor Permanent Funds	118,054	36
	<u>\$ 5,169,316</u>	<u>\$ 5,169,316</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.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2022 consisted of the following:

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund	\$ 496,097	\$ 1,175,689
Enterprise Funds	466,800	168,000
Nonmajor Special Revenue Funds	4,318	96,176
Nonmajor Capital Projects Funds	482,650	10,000
	<u>\$ 1,449,865</u>	<u>\$ 1,449,865</u>

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 5 - LOANS RECEIVABLE

Loans receivable at June 30, 2022 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.	<u>581,250</u>
Total	<u>1,780,000</u>
Less: Allowance for doubtful loans receivable	<u>(1,780,000)</u>
Reported value at June 30, 2022	<u>\$ -</u>

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance, 7/1/21 (Restated)	Additions	Disposals	Balance, 6/30/22
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 1,531,497	\$ 650,000	\$ -	\$ 2,181,497
Construction in progress	386,366	65,686	(231,739)	220,313
	<u>1,917,863</u>	<u>715,686</u>	<u>(231,739)</u>	<u>2,401,810</u>
Depreciated assets:				
Buildings and improvements	16,756,703	12,450	-	16,769,153
Machinery and equipment	3,557,901	173,836	-	3,731,737
Furniture and Fixtures	98,474	14,906	-	113,380
Vehicles	4,080,900	125,534	(106,860)	4,099,574
Infrastructure	6,853,634	1,673,053	-	8,526,687
	<u>31,347,612</u>	<u>1,999,779</u>	<u>(106,860)</u>	<u>33,240,531</u>
Less: accumulated depreciation	(14,321,300)	(1,044,201)	106,860	(15,258,641)
	<u>17,026,312</u>	<u>955,578</u>	<u>-</u>	<u>17,981,890</u>
Net governmental capital assets	<u>\$ 18,944,175</u>	<u>\$ 1,671,264</u>	<u>\$ (231,739)</u>	<u>\$ 20,383,700</u>

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/21 (Restated)	Additions	Disposals	Balance, 6/30/22
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	110,733	33,848	(17,547)	127,034
	<u>121,733</u>	<u>33,848</u>	<u>(17,547)</u>	<u>138,034</u>
Depreciated assets:				
Buildings and improvements	1,725,786	28,922	-	1,754,708
Machinery and equipment	277,715	6,404	-	284,119
Vehicles	438,040	51,796	-	489,836
Infrastructure	24,060,677	234,119	-	24,294,796
	26,502,218	321,241	-	26,823,459
Less: accumulated depreciation	(12,095,381)	(565,528)	-	(12,660,909)
Net business-type capital assets	<u>\$ 14,528,570</u>	<u>\$ (210,439)</u>	<u>\$ (17,547)</u>	<u>\$ 14,300,584</u>
<u>Depreciation expense:</u>				
General government				\$ 211,171
Library				167,402
Parks and Recreation				88,789
Public Safety				279,580
Public Works				297,262
Total governmental fund depreciation				<u>1,044,201</u>
Water Fund				462,819
Sewer Fund				102,706
Total business-type fund depreciation				<u>565,525</u>
Total depreciation expense				<u>\$ 1,609,726</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2022:

	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 7,480,000	\$ -	\$ (765,000)	\$ 6,715,000	\$ 530,000
Notes from direct borrowings payable	260,000	-	(59,100)	200,900	59,451
Total	<u>\$ 7,740,000</u>	<u>\$ -</u>	<u>\$ (824,100)</u>	<u>\$ 6,915,900</u>	<u>\$ 589,451</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Balance, 7/1/21 (Restated)	Additions	Deletions	Balance, 6/30/22	Current Portion
<u>Business-type activities:</u>					
<u>Water</u>					
Bonds payable	\$ 615,000	\$ -	\$ (105,000)	\$ 510,000	\$ 105,000
Notes from direct borrowings payable	-	51,796	(2,171)	49,625	11,729
Total	<u>\$ 615,000</u>	<u>\$ 51,796</u>	<u>\$ (107,171)</u>	<u>\$ 559,625</u>	<u>\$ 116,729</u>
<u>Sewer</u>					
Bonds payable	\$ 330,979	\$ -	\$ (45,467)	\$ 285,512	\$ 46,376
Notes from direct borrowings payable	3,029,689	-	(700,383)	2,329,306	511,817
Total	<u>\$ 3,360,668</u>	<u>\$ -</u>	<u>\$ (745,850)</u>	<u>\$ 2,614,818</u>	<u>\$ 558,193</u>

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

Governmental activities

Bonds payable:

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.	\$ 40,000
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.	300,000
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.	1,700,000
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.	160,000

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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.	270,000
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.	25,000
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.	710,000
\$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>3,510,000</u>
Total governmental activities bonds payable	<u>\$ 6,715,000</u>
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.	\$ 60,000
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.	40,000
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.	<u>100,900</u>
Total governmental activities notes from direct borrowings payable	<u>\$ 200,900</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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.	\$ 105,000
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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.	145,000
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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.	<u>260,000</u>
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Total water bonds payable	<u>510,000</u>
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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.	201,334
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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>84,178</u>
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Total sewer bonds payable	<u>285,512</u>
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Total business-type bonds payable	<u>\$ 795,512</u>
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TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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.	\$ 355,266
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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.	46,552
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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.	257,837
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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.	50,648
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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.	44,779
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Tank truck note payable to the National Bank of Middlebury, due January 6. Interest at a fixed rate of 2.660% per annum.	58,000
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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.	1,516,224
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Total sewer notes from direct borrowings payable	2,329,306
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Water

Water capital equipment (truck) note payable to Ford Motor Company, due in monthly interest and principal payments of \$1,228.56. Interest rate is at a fixed rate of 6.80% per month with a maturity date of April of 2026.	49,625
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Total water note from direct borrowings payable	49,625
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Total business-type notes from direct borrowings payable	\$ 2,378,931
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TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

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	
2023	\$ 530,000	\$ 100,824	\$ 59,451	\$ 3,826	\$ 694,101
2024	505,000	88,457	59,806	2,681	655,944
2025	485,000	80,289	40,175	1,522	606,986
2026	485,000	73,683	20,545	763	579,991
2027	410,000	68,100	20,923	385	499,408
2028-2032	1,980,000	232,016	-	-	2,212,016
2033-2037	1,535,000	90,372	-	-	1,625,372
2038-2042	785,000	7,470	-	-	792,470
	<u>\$ 6,715,000</u>	<u>\$ 741,211</u>	<u>\$ 200,900</u>	<u>\$ 9,177</u>	<u>\$ 7,666,288</u>

Business-type activities:

<u>Water</u>	Bonds payable		Notes from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2023	\$ 105,000	\$ 13,542	\$ 11,729	\$ 3,013	\$ 133,284
2024	95,000	11,655	12,552	2,191	121,398
2025	45,000	8,525	13,433	1,310	68,268
2026	45,000	7,209	11,911	375	64,495
2027	45,000	5,801	-	-	50,801
2028-2032	155,000	13,461	-	-	168,461
2033-2037	20,000	357	-	-	20,357
	<u>\$ 510,000</u>	<u>\$ 60,550</u>	<u>\$ 49,625</u>	<u>\$ 6,889</u>	<u>\$ 627,064</u>

<u>Sewer</u>	Bonds payable		Notes from direct borrowings payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2023	\$ 46,376	\$ 5,711	\$ 511,817	\$ 35,465	\$ 599,369
2024	47,303	4,783	196,408	33,200	281,694
2025	48,249	3,637	198,227	30,895	281,008
2026	49,214	2,672	114,305	28,552	194,743
2027	50,198	1,888	86,274	26,171	164,531
2028-2032	44,172	2,686	445,114	104,401	596,373
2033-2037	-	-	471,210	59,240	530,450
2038-2042	-	-	305,951	12,319	318,270
	<u>\$ 285,512</u>	<u>\$ 21,377</u>	<u>\$ 2,329,306</u>	<u>\$ 330,243</u>	<u>\$ 2,966,438</u>

All bonds payable and notes from direct borrowings 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, 2022 was \$24,314.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 9 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2022 is as follows:

	Balance, 7/1/21	Additions	Deletions	Balance, 6/30/22	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 238,234	\$ -	\$ (8,619)	\$ 229,615	\$ -
Net pension liability	1,761,709	-	(1,048,016)	713,693	-
Total	<u>\$ 1,999,943</u>	<u>\$ -</u>	<u>\$ (1,056,635)</u>	<u>\$ 943,308</u>	<u>\$ -</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 70,873	\$ -	\$ -	\$ 70,873	\$ -
Net pension liability	291,804	62,984	-	354,788	-
Total	<u>\$ 362,677</u>	<u>\$ 62,984</u>	<u>\$ -</u>	<u>\$ 425,661</u>	<u>\$ -</u>

Please see Notes 10 and 17 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, 2022 was \$300,488 .

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Town at June 30, 2022:

	Governmental Activities	Business-Type Activities
Invested in capital assets	\$ 35,642,341	\$26,961,493
Accumulated depreciation	(15,258,641)	(12,660,909)
Outstanding capital related debt	(6,915,900)	(3,174,443)
	<u>\$ 13,467,800</u>	<u>\$11,126,141</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 12 - NONSPENDABLE FUND BALANCE

The following fund balances have been restricted at June 30, 2022 for the following purposes:

General fund:	
Prepaid items	<u>\$ 52,059</u>

NOTE 13 - RESTRICTED FUND BALANCES AND NET POSITION

The following fund balances and net position have been restricted at June 30, 2022 for the following purposes:

Nonmajor special revenue funds (Schedule E):	
Recreation/impact fees related funds	\$ 409,531
Record preservation fund	185,667
Library construction fund	53,669
Special revenue miscellaneous fund	50,404
Nonmajor capital projects funds (Schedule G):	
Highway equipment fund	45,648
Fire truck fund	77,450
Nonmajor permanent funds (Schedule I):	
Pierson library fund	100,669
Cemetery fund	348,193
Lillian Davis memorial fund	73,957
	<u>\$ 1,345,188</u>

NOTE 14 - COMMITTED FUND BALANCES

At June 30, 2022, 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)	<u>399,965</u>
	<u>\$ 611,522</u>

TOWN OF SHELBURNE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2022

NOTE 15 - ASSIGNED FUND BALANCES

At June 30, 2022, the assigned fund balances were made up of the following account balances:

Nonmajor special revenue funds (Schedule E)	\$	213,451
Nonmajor capital projects funds (Schedule G)		21,792
	\$	235,243

NOTE 16 - DEFICIT FUND BALANCE

At June 30, 2022, the Town had the following deficit fund balance:

Pinehaven stormwater fund	\$	33,206
Irish Hill path/bridge fund		51,667
	\$	84,873

NOTE 17 - 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, 2020 (the most recent data available), the retirement system consisted of 15,548 participating members.

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 \(vermont.gov\)](#).

**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

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
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

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2021 are as follows:

<b>VMERS</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
Employee Contributions	3.250% of gross salary	5.625% of gross salary	10.750% of gross salary	12.100% of gross salary
Employer Contributions	4.750% of gross salary	6.250% of gross salary	8.000% of gross salary	10.600% 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, 2022 totaled \$118,842 . The Town contributed \$132,045 for the year ended June 30, 2022. The Town's total payroll for the year ended June 30, 2022 for all employees covered under this plan was \$2,112,728 .

**Pension Liabilities**

*VMERS Plan*

At June 30, 2022, the Town reported a liability of \$1,068,481 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2021 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the Town's proportion was 0.72595% for VMERS, which was a decrease of 0.08580% from its proportion measured as of June 30, 2020 for VMERS.

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

For the year ended June 30, 2022, the Town recognized net pension revenue of \$160,421 for the VMERS plan. At June 30, 2022, 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, 2022

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 199,146	\$ 630,006
Changes of assumptions	168,889	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	45,344	120,522
Contributions subsequent to the measurement date	132,045	-
Total	\$ 545,424	\$ 750,528

\$132,045 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, 2023. 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:	
2022	\$ (14,639)
2023	(37,305)
2024	(85,367)
2025	(199,838)
2026	-
Thereafter	-

**Significant Actuarial Assumptions and Methods**

The total pension liability for the June 30, 2021 measurement date was determined by rolling forward the total pension liability as of June 30, 2020 to June 30, 2021. The total pension liability was calculated using the following actuarial assumptions:

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 17 - 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 on historical and current demographic data, adjusted to reflect health characteristics of the underlying groups and estimated future experience and professional judgment. The mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

*Pre-Retirement:*

- Groups A/B/C - 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using Scale MP-2019.
- Group D - PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

*Healthy Post-Retirement - Retirees:*

- Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.
- Group D - PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

*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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*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 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, 2021 COLA is 0.40% for all groups. The January 1, 2022 COLA is 2.00% for Group A members and 2.30% for Group B, C and D members.

*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, 2021 are summarized in the following table:

TOWN OF SHELBURNE, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2022

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Passive Global Equities	24.00%	5.05%
Active Global Equities	5.00%	5.05%
US Equity - Large Cap	4.00%	4.00%
US Equity - Small/Mid Cap	3.00%	4.50%
Non-US Developed Market Equities	7.00%	5.50%
Non-US Equity - Small Cap	0.00%	0.00%
Emerging Markets Debt	4.00%	3.00%
Core Bonds	19.00%	0.00%
Private and Alternative Credit	10.00%	4.75%
US TIPS	3.00%	-0.50%
Core Real Estate	4.00%	3.75%
Non-Core Real Estate	4.00%	5.75%
Private Equity	10.00%	6.75%
Infrastructure/Farmland	3.00%	4.25%

**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:

TOWN OF SHELBURNE, VERMONT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 17 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	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	\$ 2,111,913	\$ 1,068,481	\$ 210,474

**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://AnnualComprehensiveFinancialReport|DepartmentofFinanceandManagement.vermont.gov).

NOTE 18 - 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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 19 - 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 20 - RESTATEMENTS

In 2021, the Town determined that certain transactions in the prior years had been omitted or reported incorrectly, therefore a restatement to both the governmental and the business-type activity financial statements was required. They are as follows:

The net position of governmental activities was restated by \$176,309 to correct fixed asset balances and \$464 to correct the beginning general fund balance for a total restatement of \$175,845. The resulting restatement increased governmental activities net position from \$13,683,769 to \$13,859,614

The net position for business-type activities was restated by \$487 adjustment to the water fund. Net position for business type activities increased from \$12,493,934, to \$12,494,421.

## 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

## TOWN OF SHELBURNE, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,320,598	\$ 2,320,598	\$ 2,320,598	\$ -
Resources (Inflows):				
Property taxes	7,499,226	7,499,226	7,679,541	180,315
Intergovernmental	207,475	207,475	308,160	100,685
Charges for services	1,022,549	1,022,549	1,854,851	832,302
Miscellaneous revenues	401,582	401,582	396,635	(4,947)
Transfers from other funds	523,963	523,963	496,097	(27,866)
Amounts Available for Appropriation	11,975,393	11,975,393	13,055,882	1,080,489
Charges to Appropriations (Outflows):				
Current:				
General government	2,118,685	2,118,685	1,972,716	145,969
Public safety	3,351,420	3,351,420	2,887,037	464,383
Public works	1,378,746	1,378,746	1,173,894	204,852
Health and welfare	95,550	95,550	89,299	6,251
Culture and recreation	832,407	832,407	830,175	2,232
Intergovernmental	191,763	191,763	190,172	1,591
Employee benefits	91,440	91,440	243,798	(152,358)
Other	46,600	46,600	78,961	(32,361)
Debt service:				
Principal	794,304	794,304	831,283	(36,979)
Interest	262,576	262,576	210,334	52,242
Transfers to other funds	491,304	491,304	1,175,689	(684,385)
Total Charges to Appropriations	9,654,795	9,654,795	9,683,358	(28,563)
Budgetary Fund Balance, June 30	\$ 2,320,598	\$ 2,320,598	\$ 3,372,524	\$ 1,051,926

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\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>VMERS:</u>							
Proportion of the net pension liability	0.73%	0.81%	0.77%	0.74%	0.75%	0.72%	0.70%
Proportionate share of the net pension liability	\$ 1,068,481	\$ 2,053,513	\$ 1,337,136	\$ 1,041,035	\$ 911,479	\$ 930,087	\$ 537,005
Covered payroll	\$ 2,501,824	\$ 2,487,392	\$ 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	42.71%	82.56%	55.92%	47.44%	44.14%	49.84%	31.83%
Plan fiduciary net position as a percentage of the total pension liability	96.29%	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.

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

TOWN OF SHELBURNE, VERMONT

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>VMERS:</u>							
Contractually required contribution	\$ 132,045	\$ 161,883	\$ 155,514	\$ 145,904	\$ 129,620	\$ 122,861	\$ 109,840
Contributions in relation to the contractually required contribution	<u>(132,045)</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 2,112,728	\$ 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	6.25%	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.

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

TOWN OF SHELBURNE, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2022

**Changes of Assumptions**

VMERS Pension Plan:

There have been no changes in actuarial assumptions since the last measurement date.

## 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, 2022

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property taxes:			
Property taxes	\$ 7,359,818	\$ 7,522,063	\$ 162,245
Special assessments	43,408	43,405	(3)
Late Homestead filing	14,000	18,811	4,811
Penalties	42,000	63,705	21,705
Interest income	40,000	31,557	(8,443)
Intergovernmental:			
Highway state aid	145,000	277,905	132,905
Other intergovernmental revenue	62,475	30,255	(32,220)
Charges for services:			
Licenses and fees	89,915	133,901	43,986
Highway	12,100	88,834	76,734
Police department	527,490	461,966	(65,524)
Cemetery	4,400	7,150	2,750
Planning and zoning	113,000	150,002	37,002
Water and sewer administration	101,534	154,330	52,796
Recreation	153,210	169,724	16,514
Rescue	20,900	688,944	668,044
Other income:			
Investment income	2,000	1,109	(891)
Rental income	197,836	122,908	(74,928)
Other income	201,746	272,618	70,872
Transfers in	523,963	496,097	(27,866)
 Total revenues	 <u>\$ 9,654,795</u>	 <u>\$ 10,735,284</u>	 <u>\$ 1,080,489</u>

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, 2022

	Final Budget	Actual	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
Selectboard	\$ 74,290	\$ 53,444	\$ 20,846
Legal services	60,000	125,588	(65,588)
Administration - municipal offices	101,352	91,280	10,072
Town manager	257,240	230,200	27,040
Elections	4,500	4,360	140
Finance and insurance	556,343	558,733	(2,390)
Town clerk/treasurer	250,887	220,693	30,194
Planning and zoning	313,461	243,829	69,632
Assessor's office	155,440	101,364	54,076
Buildings and grounds	345,172	343,225	1,947
	<u>2,118,685</u>	<u>1,972,716</u>	<u>145,969</u>
<b>PUBLIC SAFETY</b>			
Police department	1,908,412	1,354,237	554,175
Fire department	237,511	322,368	(84,857)
Public safety and dispatch	794,678	784,323	10,355
Rescue	410,819	426,109	(15,290)
	<u>3,351,420</u>	<u>2,887,037</u>	<u>464,383</u>
<b>PUBLIC WORKS</b>			
Highways	1,344,250	1,136,125	208,125
Stormwater expenses	-	15	(15)
Harbormaster	34,496	37,754	(3,258)
	<u>1,378,746</u>	<u>1,173,894</u>	<u>204,852</u>
<b>HEALTH AND WELFARE</b>			
Health and social services	36,777	35,000	1,777
Cemeteries	58,773	54,299	4,474
	<u>95,550</u>	<u>89,299</u>	<u>6,251</u>
<b>CULTURE AND RECREATION</b>			
Recreation programs	351,935	361,181	(9,246)
Library	480,472	468,994	11,478
	<u>832,407</u>	<u>830,175</u>	<u>2,232</u>
<b>INTERGOVERNMENTAL</b>			
County tax	71,653	70,140	1,513
Greater Burlington Industrial Development Corp.	1,200	1,200	-
Chittenden County Regional Planning	17,910	17,910	-
Chittenden County Transit Authority	101,000	100,922	78
	<u>191,763</u>	<u>190,172</u>	<u>1,591</u>

SCHEDULE B (CONTINUED)  
TOWN OF SHELBURNE, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
<b>EMPLOYEE BENEFITS</b>	91,440	243,798	(152,358)
<b>OTHER</b>			
Selectboard discretionary	1,500	555	945
Community events	1,500	1,168	332
Tree conservation	6,300	7,044	(744)
Champlain Valley School District	-	1,906	(1,906)
Emerald ash borer management	28,800	28,778	22
Green up day	-	100.00	(100)
Committee support	3,500	-	3,500
Miscellaneous expense	5,000	39,410	(34,410)
	<u>46,600</u>	<u>78,961</u>	<u>(32,361)</u>
<b>DEBT SERVICE</b>			
Principal	794,304	831,283	(36,979)
Interest	262,576	210,334	52,242
	<u>1,056,880</u>	<u>1,041,617</u>	<u>15,263</u>
<b>TRANSFERS TO OTHER FUNDS</b>			
Special revenue funds	600	718	(118)
Capital projects funds	284,704	876,171	(591,467)
Enterprise funds	206,000	298,800	(92,800)
	<u>491,304</u>	<u>1,175,689</u>	<u>(684,385)</u>
<b>TOTAL DEPARTMENTAL OPERATIONS</b>	<u>\$ 9,654,795</u>	<u>\$ 9,683,358</u>	<u>\$ (28,563)</u>

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

## TOWN OF SHELBURNE, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 100,618	\$ 100,618
Investments	149,931	-	304,183	454,114
Due from other funds	709,025	679,241	118,054	1,506,320
Prepaid items	97	-	-	97
<b>TOTAL ASSETS</b>	<u>\$ 859,053</u>	<u>\$ 679,241</u>	<u>\$ 522,855</u>	<u>\$ 2,061,149</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 165,590	\$ 36	\$ 165,626
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>165,590</u>	<u>36</u>	<u>165,626</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	645,602	176,767	522,819	1,345,188
Committed	-	399,965	-	399,965
Assigned	213,451	21,792	-	235,243
Unassigned (deficit)	-	(84,873)	-	(84,873)
<b>TOTAL FUND BALANCES</b>	<u>859,053</u>	<u>513,651</u>	<u>522,819</u>	<u>1,895,523</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 859,053</u>	<u>\$ 679,241</u>	<u>\$ 522,855</u>	<u>\$ 2,061,149</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 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	\$ 112,690	\$ -	\$ -	\$ 112,690
Investment income	749	-	38,179	38,928
Charges for services	67,407	-	-	67,407
Other	40,655	686,633	-	727,288
TOTAL REVENUES	<u>221,501</u>	<u>686,633</u>	<u>38,179</u>	<u>946,313</u>
EXPENDITURES				
Current:				
Public safety	-	762	-	762
Recreation and parks	85,880	-	-	85,880
Debt service:				
Principal	-	40,000	-	40,000
Interest	-	2,743	-	2,743
Capital outlay	-	356,884	-	356,884
TOTAL EXPENDITURES	<u>97,121</u>	<u>400,389</u>	<u>-</u>	<u>497,510</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>124,380</u>	<u>286,244</u>	<u>38,179</u>	<u>448,803</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,318	482,650	-	486,968
Transfers (out)	(96,176)	(10,000)	-	(106,176)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(91,858)</u>	<u>472,650</u>	<u>-</u>	<u>380,792</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	32,522	758,894	38,179	829,595
FUND BALANCES (DEFICITS) - JULY 1	<u>826,531</u>	<u>(245,243)</u>	<u>484,640</u>	<u>1,065,928</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 859,053</u>	<u>\$ 513,651</u>	<u>\$ 522,819</u>	<u>\$ 1,895,523</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, 2022

	Recreation/ Impact Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<b>ASSETS</b>					
Investments	\$ 149,931	\$ -	\$ -	\$ -	\$ 149,931
Due from other funds	259,503	213,451	185,667	50,404	709,025
Prepaid items	97	-	-	-	97
<b>TOTAL ASSETS</b>	<b>\$ 409,531</b>	<b>\$ 213,451</b>	<b>\$ 185,667</b>	<b>\$ 50,404</b>	<b>\$ 859,053</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	409,531	-	185,667	50,404	645,602
Committed	-	-	-	-	-
Assigned	-	213,451	-	-	213,451
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>409,531</b>	<b>213,451</b>	<b>185,667</b>	<b>50,404</b>	<b>859,053</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 409,531</b>	<b>\$ 213,451</b>	<b>\$ 185,667</b>	<b>\$ 50,404</b>	<b>\$ 859,053</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, 2022

	Recreation/ Impact Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<b>REVENUES</b>					
Intergovernmental	\$ 109,694	\$ 2,996	\$ -	\$ -	\$ 112,690
Investment income	749	-	-	-	749
Charges for services	67,407	-	-	-	67,407
Other	-	-	33,900	6,755	40,655
<b>TOTAL REVENUES</b>	<u>177,850</u>	<u>2,996</u>	<u>33,900</u>	<u>6,755</u>	<u>221,501</u>
<b>EXPENDITURES</b>					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Recreation and parks	78,670	-	-	7,210	85,880
Other	-	11,241	-	-	11,241
<b>TOTAL EXPENDITURES</b>	<u>78,670</u>	<u>11,241</u>	<u>-</u>	<u>7,210</u>	<u>97,121</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>99,180</u>	<u>(8,245)</u>	<u>33,900</u>	<u>(455)</u>	<u>124,380</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	718	-	-	3,600	4,318
Transfers (Out)	(26,067)	(70,109)	-	-	(96,176)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(25,349)</u>	<u>(70,109)</u>	<u>-</u>	<u>3,600</u>	<u>(91,858)</u>
<b>NET CHANGE IN FUND BALANCES</b>	73,831	(78,354)	33,900	3,145	32,522
<b>FUND BALANCES - JULY 1, RESTATED</b>	<u>335,700</u>	<u>291,805</u>	<u>151,767</u>	<u>47,259</u>	<u>826,531</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 409,531</u>	<u>\$ 213,451</u>	<u>\$ 185,667</u>	<u>\$ 50,404</u>	<u>\$ 859,053</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, 2022

	Bay Park Fund	Pinehaven Stormwater Fund	Library Construction 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	\$ 37,924	\$ -	\$ 53,669	\$ 45,648	\$ 21,792	\$ 215,229	\$ 227,151	\$ 378	\$ 77,450	\$ 679,241
<b>TOTAL ASSETS</b>	<u>\$ 37,924</u>	<u>\$ -</u>	<u>\$ 53,669</u>	<u>\$ 45,648</u>	<u>\$ 21,792</u>	<u>\$ 215,229</u>	<u>\$ 227,151</u>	<u>\$ 378</u>	<u>\$ 77,450</u>	<u>\$ 679,241</u>
<b>LIABILITIES</b>										
Due to other funds	\$ -	\$ 33,206	\$ -	\$ -	\$ -	-	\$ 80,339	\$ 52,045	\$ -	\$ 165,590
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>33,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,339</u>	<u>52,045</u>	<u>-</u>	<u>165,590</u>
<b>FUND BALANCES (DEFICITS)</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	53,669	45,648	-	-	-	-	77,450	176,767
Committed	37,924	-	-	-	-	215,229	146,812	-	-	399,965
Assigned	-	-	-	-	21,792	-	-	-	-	21,792
Unassigned	-	(33,206)	-	-	-	-	-	(51,667)	-	(84,873)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>37,924</u>	<u>(33,206)</u>	<u>53,669</u>	<u>45,648</u>	<u>21,792</u>	<u>215,229</u>	<u>146,812</u>	<u>(51,667)</u>	<u>77,450</u>	<u>513,651</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 37,924</u>	<u>\$ -</u>	<u>\$ 53,669</u>	<u>\$ 45,648</u>	<u>\$ 21,792</u>	<u>\$ 215,229</u>	<u>\$ 227,151</u>	<u>\$ 378</u>	<u>\$ 77,450</u>	<u>\$ 679,241</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 CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Bay Park Fund	Pinehaven Stormwater Fund	Library Construction 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										
Other	\$ -	\$ 657,246	\$ -	\$ 341	\$ -	\$ -	\$ 18,146	\$ -	\$ 10,900	\$ 686,633
TOTAL REVENUES	-	657,246	-	341	-	-	18,146	-	10,900	686,633
EXPENDITURES										
Current:										
Public safety	-	-	-	-	-	-	762	-	-	762
Debt service:										
Principal	-	-	-	40,000	-	-	-	-	-	40,000
Interest	-	-	-	2,743	-	-	-	-	-	2,743
Capital outlay	-	45,537	-	160,224	-	-	69,226	35,659	46,238	356,884
TOTAL EXPENDITURES	-	45,537	-	202,967	-	-	69,988	35,659	46,238	400,389
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	611,709	-	(202,626)	-	-	(51,842)	(35,659)	(35,338)	286,244
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	110,500	-	50,000	272,150	-	50,000	482,650
Transfers (out)	(10,000)	-	-	-	-	-	-	-	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	-	-	110,500	-	50,000	272,150	-	50,000	472,650
NET CHANGE IN FUND BALANCES (DEFICITS)	(10,000)	611,709	-	(92,126)	-	50,000	220,308	(35,659)	14,662	758,894
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	47,924	(644,915)	53,669	137,774	21,792	165,229	(73,496)	(16,008)	62,788	(245,243)
FUND BALANCES (DEFICITS) - JUNE 30	\$ 37,924	\$ (33,206)	\$ 53,669	\$ 45,648	\$ 21,792	\$ 215,229	\$ 146,812	\$ (51,667)	\$ 77,450	\$ 513,651

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, 2022

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 100,618	\$ -	\$ -	\$ 100,618
Investments	-	230,190	73,993	304,183
Due from other funds	51	118,003	-	118,054
<b>TOTAL ASSETS</b>	<u>\$ 100,669</u>	<u>\$ 348,193</u>	<u>\$ 73,993</u>	<u>\$ 522,855</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 36	\$ 36
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	100,669	348,193	73,957	522,819
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>100,669</u>	<u>348,193</u>	<u>73,957</u>	<u>522,819</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 100,669</u>	<u>\$ 348,193</u>	<u>\$ 73,993</u>	<u>\$ 522,855</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, 2022

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
REVENUES				
Interest / Gains and losses	\$ 7,954	\$ 2,704	\$ 27,521	\$ 38,179
TOTAL REVENUES	<u>7,954</u>	<u>2,704</u>	<u>27,521</u>	<u>38,179</u>
EXPENDITURES				
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	7,954	2,704	27,521	38,179
FUND BALANCES - JULY 1	<u>92,715</u>	<u>345,489</u>	<u>46,436</u>	<u>484,640</u>
FUND BALANCES - JUNE 30	<u>\$ 100,669</u>	<u>\$ 348,193</u>	<u>\$ 73,957</u>	<u>\$ 522,819</u>

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

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

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

TOWN OF SHELBURNE, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION FOR THE YEAR ENDED  
JUNE 30, 2022

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 2,181,497	\$ 6,854,861	\$ 373,576	\$ -	\$ 9,409,934
Library	-	6,935,734	433,630	-	7,369,364
Parks and Recreation	-	2,058,230	274,486	-	2,332,716
Public Safety	-	271,848	5,134,667	-	5,406,515
Public Works	220,313	648,480	1,728,332	8,526,687	11,123,812
Sewer	112,844	1,712,719	570,946	19,263,385	21,659,894
Water	25,190	41,989	203,009	5,031,411	5,301,599
<b>Total General Capital Assets</b>	<b>2,539,844</b>	<b>18,523,861</b>	<b>8,718,646</b>	<b>32,821,483</b>	<b>62,603,834</b>
<b>Less: Accumulated Depreciation</b>	<b>-</b>	<b>(9,610,288)</b>	<b>(5,416,378)</b>	<b>(12,892,884)</b>	<b>(27,919,550)</b>
<b>Net General Capital Assets</b>	<b>\$ 2,539,844</b>	<b>\$ 8,913,573</b>	<b>\$ 3,302,268</b>	<b>\$ 19,928,599</b>	<b>\$ 34,684,284</b>

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

## TOWN OF SHELBURNE, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2022

	General Capital Assets 7/1/22 (Restated)	Additions	Deletions	General Capital Assets 6/30/22
General government	\$ 8,745,028	\$ 664,906	\$ -	\$ 9,409,934
Library	7,369,364	-	-	7,369,364
Parks and Recreation	2,332,716	-	-	2,332,716
Public Safety	5,254,919	151,596	-	5,406,515
Public Works	9,563,448	1,667,224	(106,860)	11,123,812
Sewer	21,386,683	273,211	-	21,659,894
Water	5,236,922	64,677	-	5,301,599
Total General Capital Assets	59,889,080	2,821,614	(106,860)	62,603,834
Less: Accumulated Depreciation	<u>(26,416,681)</u>	<u>(1,609,729)</u>	<u>106,860</u>	<u>(27,919,550)</u>
Net General Capital Assets	<u>\$ 33,472,399</u>	<u>\$ 1,211,885</u>	<u>\$ -</u>	<u>\$ 34,684,284</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, 2022 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 September 11, 2024.

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.

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 management of the Town of Shelburne, Vermont in a separate letter dated September 3, 2024.

### 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  
September 11, 2024