

TOWN OF SHELBURNE, VERMONT

AUDIT REPORT

JUNE 30, 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Shelburne, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 12, and the budgetary comparison Schedule of the General Fund, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions for the Town's participation in VMERS, presented in Schedules 1 through 3, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

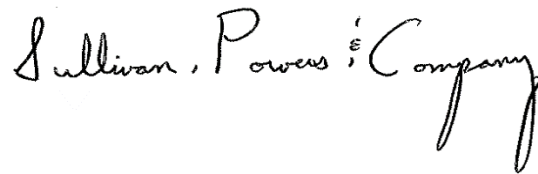
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shelburne, Vermont's basic financial statements. The combining fund financial statements and budgetary comparison schedules of the Water and Sewer Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated February 14, 2019 on our consideration of the Town of Shelburne, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Shelburne, Vermont’s internal control over financial reporting and compliance.

February 14, 2019
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' at the beginning and a long, sweeping tail at the end.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Our discussion and analysis of the Town of Shelburne, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. This report should be read in conjunction with the Town's financial statements.

Financial Highlights

- The Town's combined net position increased by \$1,014,436 as a result of this year's operations. Net position of our business-type activities increased by \$454,127 and net position of our governmental activities increased by \$560,309.
- In the Town's business-type activities, revenues and capital contributions were \$3,121,098 while expenses were \$2,748,986. Net position at June 30, 2018 totaled \$11,437,103.
- The cost of all of the Town's programs was \$11,176,342 this year, with no new programs added.
- The General Fund reported a surplus on a budgetary basis this year of \$130,927 which was \$130,927 better than budgeted.
- The unassigned fund balance in the General Fund at June 30, 2018 was \$634,097. This amount is available for future year budgets.
- The Non-major Funds reported a surplus of \$13,211 this year which increased the cumulative surplus to \$1,363,631.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Town as a Whole

The government-wide financial statements are on Exhibit A and B. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets, liabilities and deferred inflows/outflows of resources – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads and other infrastructure assets, to assess the overall health of the Town.

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

- **Governmental activities** – Most of the Town's basic services are reported here, including the police, public safety, highway and public works, health and welfare, recreation and parks, library and general administration. Property taxes, grants and miscellaneous fees finance most of these activities.
- **Business-type activities** – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer and water department activities are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements in Exhibits C through H provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental funds** – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Exhibits C and E describe the relationship and differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits C and D.
- **Proprietary funds** – When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Town of Shelburne's Water and Sewer Department operations are accounted for as Proprietary Funds.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)

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

The Town's combined net position increased by \$1,014,436 from 2017, increasing from a balance of \$22,559,401 to \$23,573,837. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1 includes a comparison of these two years.

Table 1

	Governmental Activities <u>FY 2018</u>	Governmental Activities <u>FY 2017</u>	Business-type Activities <u>FY 2018</u>	Business-type Activities <u>FY 2017</u>	Total <u>FY 2018</u>	Total <u>FY 2017</u>
Current and Other Assets	\$ 4,893,372	\$ 3,626,169	\$ 1,721,608	\$ 1,711,457	\$ 6,614,980	\$ 5,337,626
Capital Assets	<u>13,555,898</u>	<u>12,572,271</u>	<u>14,493,046</u>	<u>14,574,762</u>	<u>28,048,944</u>	<u>27,147,033</u>
Total Assets	<u>18,449,270</u>	<u>16,198,440</u>	<u>16,214,654</u>	<u>16,286,219</u>	<u>34,663,924</u>	<u>32,484,659</u>
Deferred Outflows of Resources	<u>446,694</u>	<u>532,734</u>	<u>61,652</u>	<u>71,870</u>	<u>508,346</u>	<u>604,604</u>
Current Liabilities	884,083	1,041,935	319,391	991,367	1,203,474	2,033,302
Long-term Liabilities	<u>4,867,108</u>	<u>3,608,843</u>	<u>4,517,237</u>	<u>4,383,746</u>	<u>9,384,345</u>	<u>7,992,589</u>
Total Liabilities	<u>5,751,191</u>	<u>4,650,778</u>	<u>4,836,628</u>	<u>5,375,113</u>	<u>10,587,819</u>	<u>10,025,891</u>
Deferred Inflows of Resources	<u>1,008,039</u>	<u>503,971</u>	<u>2,575</u>	<u>0</u>	<u>1,010,614</u>	<u>503,971</u>
Net Investment in Capital Assets	9,314,898	9,359,271	10,136,780	9,594,990	19,451,678	18,954,261
Restricted	1,301,745	927,045	0	0	1,301,745	927,045
Unrestricted	<u>1,520,091</u>	<u>1,290,109</u>	<u>1,300,323</u>	<u>1,387,986</u>	<u>2,820,414</u>	<u>2,678,095</u>
Total Net Position	<u>\$ 12,136,734</u>	<u>\$ 11,576,425</u>	<u>\$ 11,437,103</u>	<u>\$ 10,982,976</u>	<u>\$ 23,573,837</u>	<u>\$ 22,559,401</u>

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,520,091 at June 30, 2018 for the governmental activities.

The unrestricted net position of our business-type activities was \$1,300,323 at June 30, 2018. The Town generally can only use this net position to finance the continuing operations of the sewer and water departments.

**TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

**Table 2
Change in Net Position**

	Governmental Activities <u>FY 2018</u>	Governmental Activities <u>FY 2017</u>	Business-type Activities <u>FY 2018</u>	Business-type Activities <u>FY 2017</u>	Total <u>FY 2018</u>	Total <u>FY 2017</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,574,084	\$ 1,370,599	\$ 3,087,515	\$ 3,005,503	\$ 4,661,599	\$ 4,376,102
Operating Grants and Contributions	639,987	878,153	0	0	639,987	878,153
Capital Grants and Contributions	474,764	40,173	33,583	168,850	508,347	209,023
General Revenues:						
Property Taxes	5,985,675	5,672,565	0	0	5,985,675	5,672,565
Penalties and Interest on Delinquent Taxes	49,600	75,460	0	0	49,600	75,460
General State Grants	178,057	173,909	0	0	178,057	173,909
Unrestricted Investment Earnings	46,714	19,337	7,315	5,942	54,029	25,279
Gain on Sale of Equipment	0	0	0	11,300	0	11,300
Other Revenues	48,784	24,489	64,700	108,432	113,484	132,921
Total Revenues	<u>8,997,665</u>	<u>8,254,685</u>	<u>3,193,113</u>	<u>3,300,027</u>	<u>12,190,778</u>	<u>11,554,712</u>
Expenses:						
General Government	2,348,826	2,270,225	0	0	2,348,826	2,270,225
Public Safety	3,185,739	3,050,309	0	0	3,185,739	3,050,309
Highways and Public Works	1,770,931	1,681,240	0	0	1,770,931	1,681,240
Health and Welfare	35,246	38,000	0	0	35,246	38,000
Recreation and Parks	487,405	465,151	0	0	487,405	465,151
Library	479,702	428,674	0	0	479,702	428,674
Cemetery	60,949	50,542	0	0	60,949	50,542
Interest on Long-term Debt	58,558	62,365	0	0	58,558	62,365
Water	0	0	1,119,695	1,072,343	1,119,695	1,072,343
Sewer	0	0	1,629,291	1,551,507	1,629,291	1,551,507
Total Expenses	<u>8,427,356</u>	<u>8,046,506</u>	<u>2,748,986</u>	<u>2,623,850</u>	<u>11,176,342</u>	<u>10,670,356</u>
Special Item: Transfer of Water Tank to Champlain Water District	0	0	0	(253,121)	0	(253,121)
Transfers	(10,000)	(7,177)	10,000	7,177	0	0
Increase/(Decrease) in Net Position	<u>\$ 560,309</u>	<u>\$ 201,002</u>	<u>\$ 454,127</u>	<u>\$ 430,233</u>	<u>\$ 1,014,436</u>	<u>\$ 631,235</u>

Table 3 presents the cost of each of the Town's programs – General Government, Public Safety, Highways and Public Works, Health and Welfare, Recreation & Parks and Library and interest on long-term debt – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Table 3
Governmental Activities**

	FY 2018 Total Cost of Services	FY 2017 Total Cost of Services	FY 2018 Net Cost of Services	FY 2017 Net Cost of Services
General Government	\$ 2,348,826	2,270,225	\$ 1,751,096	\$ 1,758,404
Public Safety	3,185,739	3,050,309	2,098,799	1,970,231
Highways and Public Works	1,770,931	1,681,240	1,418,688	1,405,738
Health and Welfare	35,246	38,000	35,246	38,000
Recreation and Parks	487,405	465,151	145,128	200,872
Library	479,702	428,674	176,387	282,429
Cemetery	60,949	50,542	54,619	39,542
Interest on Long-Term Debt	58,558	62,365	58,558	62,365
Totals	<u>\$ 8,427,356</u>	<u>8,046,506</u>	<u>\$ 5,738,521</u>	<u>\$ 5,757,581</u>

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$2,628,970 which represents an increase of \$200,472 from last year's total of \$2,428,498. Included in this year's total change in fund balance is an increase of \$187,261 in the Town's General Fund balance, and an increase of \$13,211 in the other non-major governmental funds.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 7,773,033	\$ 8,079,525	\$ 306,492
Transfers In	<u>357,019</u>	<u>312,054</u>	<u>(44,965)</u>
Total Revenues + Transfers In	8,130,052	8,391,579	261,527
Expenditures	7,959,576	8,082,264	(122,688)
Transfers out	<u>170,476</u>	<u>178,388</u>	<u>(7,912)</u>
Total Expenditures + Transfers Out	8,130,052	8,260,652	(130,600)
Difference	-	\$ 130,927	\$ 130,927

The actual results show Revenues & Transfers In exceeded Expenditures & Transfers Out by \$130,927, which was a positive variance of \$130,927.

Significant Budget vs Actual Variances

General Fund Revenues	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Property Taxes	\$ 5,892,246	\$ 5,822,821	\$ (69,425)
Tax Pmts :Penalty & Interest Charges	70,000	49,600	(20,400)
Transfer From Records Preserv Fund	61,000	26,544	(34,456)
Recording Fees	50,000	31,466	(18,534)
Highway Revenue	270,300	352,243	81,943
Police Department	468,500	659,759	191,259
Planning/Zoning	92,300	191,779	99,479
Loan Proceeds	-	90,000	90,000
Fire Dept. Grants	171,413	18,257	(153,156)
All Other	<u>1,054,293</u>	<u>1,149,110</u>	<u>94,817</u>
Total	<u>\$ 8,130,052</u>	<u>\$ 8,391,579</u>	<u>\$ 261,527</u>
General Fund Expenditures			
Legal Services	60,000	255,689	(195,689)
Audit	14,850	48,483	(33,633)
Property/Liability Insurance	300,000	299,543	457
Microfilming & Preservation	40,000	1,948	38,052
Planning/Zoning Projects	39,500	2,843	36,657
Building & Grnds. Capital Projects	10,000	40,832	(30,832)
Public Works	117,128	76,826	40,302
Police Department	1,628,680	1,800,960	(172,280)
Fire Dept.	381,701	210,809	170,892
Public Safety Disp. Salaries	458,340	517,540	(59,200)
Highway Dept. Paving	335,000	411,954	(76,954)
Rescue Part Time Wages	80,000	112,496	(32,496)
Cemetery Outside Services	3,000	15,805	(12,805)
Debt Management	572,625	525,288	47,337
Employee Benefits Administration	21,500	8,569	12,931
All Other	<u>4,067,728</u>	<u>3,931,067</u>	<u>136,661</u>
Total	<u>\$ 8,130,052</u>	<u>\$ 8,260,652</u>	<u>\$ (130,600)</u>
Revenues - Expenditures	<u>\$ -</u>	<u>\$ 130,927</u>	<u>\$ 130,927</u>

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)

General Fund Revenue Variances:

Total Property Taxes & Late fees were less than budget due to an increase in deferred revenue. The transfer from the Records Preservation Fund was less than budget based on the actual work completed. Recording Fees were less than budget reflecting the real estate activity in the year. Highway Dept. revenues exceeded the budget from a paving grant received. Police Dept. revenues were greater than the budget due to increased grant funded traffic enforcement details. Planning & Zoning revenues exceeded the budget from building permit revenues for two large projects. The Town secured a \$90,000 loan to complete projects planned for FY 2017 that were deferred to FY 2018. Fire Dept. grant revenues and expenditures were less than budget due to a radio replacement grant not being received.

General Fund Expenditure Variances:

Legal expenses were greater than budget due to litigation associated with a salt storage facility. Audit expense exceeded budget due to extra work required for preparation of the annual audit due to staff vacancies. Property and Liability insurance premiums exceeded budget from the 2018 renewal premiums. Microfilming & Preservation expenditures were less than budget due to the work scheduled. Planning/Zoning project expenses were less than budget due to anticipated grant projects not taking place. Building/Grounds Capital projects exceeded budget due to delay of installation of a backup generator, which was budgeted for FY 2016-17. Public Works expenses were less than budget due to a delay in implementing stormwater policies. Police Dept. expenses were greater than budget due to increased grant funded traffic enforcement details. Fire Dept. expenditures were less than budget due to a radio equipment grant not received. Police dispatch wages were greater than budget due to the expense of training new hires and staffing required to meet standards as a State 911 answering point. Highway Dept. expense exceeded budget due to a paving grant received. Rescue part time wages exceeded budget due to vacancies in Crew Chief positions being filled by per diem personnel instead of volunteers. Cemetery outside service costs were greater than budget due to cleanup from a wind storm in May. Debt expense was less than budget due to the delay of a capital loan that did not take place in FY 2017. Employee benefits administration expense were less than budget from lower costs administering the Town's cafeteria plans.

Water and Sewer Fund Operating Budget Variations

The Water and Sewer budget vs actual results, prepared for rate setting purposes (non GAAP) for the year ended June 30, 2018 are shown in Schedules 12 & 13.

WATER FUND	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues	\$ 1,147,668	\$ 1,205,535	\$ 57,867
Expenses	<u>1,147,668</u>	<u>1,093,858</u>	<u>53,810</u>
Net Income (Loss)	\$ -	\$ 111,677	\$ 111,677

SEWER FUND	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues	\$ 1,901,970	\$ 1,963,936	\$ 61,966
Expenses	<u>1,901,970</u>	<u>1,980,329</u>	<u>(78,359)</u>
Net Income (Loss)	\$ -	\$ (16,393)	\$ (16,393)

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)

Water Fund

On a budgetary (non GAAP) basis, the Water Fund operating budget ended the year with a surplus of \$111,667, which was better than budget by \$111,667. Revenues from water sales exceeded budget by \$32,037. Purchased water cost was greater than budget by \$2,574. Outside contractor costs exceeded budget by \$13,891 due to line breaks and repairs. Materials expense exceeded budget by \$5,752 from costs associated with new construction projects, which the department was reimbursed for. Meter purchases exceeded budget by \$9,885 from purchasing remote read meters. Employee benefit costs were less than budget due reduced health insurance premiums and employee reimbursements. Debt payments were less than budget by \$55,856 due to paying for capital improvements within the budget instead of through loans.

Sewer Fund

On a budgetary (non GAAP) basis, the Sewer Fund operating budget ended the year with a deficit of \$16,393, which was a negative variance of \$16,393. Revenues were greater than budget by \$61,966 and expenses were greater than budget by \$78,359. User Fees exceeded budget by \$29,494 from a year-end adjustment for unbilled sales. Revenues from outside septage haulers exceeded budget by \$32,467. Operating expenses for chemicals and electricity exceeded budget by \$26,672. Debt service exceeded budget by \$96,633 from the early payoff of a truck loan. Professional services expense exceeded budget by \$23,633 due to work on an engineering study examining the feasibility of consolidating the two treatment plants. These overexpenditures were offset by lower expenses in plant and collection system maintenance categories.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the Town had \$28,048,933 invested in a broad range of capital assets, including police, ambulance and fire equipment, buildings and water and sewer lines, net of accumulated depreciation. (See Table 4 below). This amount represents a net increase (including additions, disposals and depreciation) of \$901,910 from last year.

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

	Governmental Activities		Business-type Activities		Totals	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Land	\$ 1,430,571	\$ 1,430,571	\$ 11,000	\$ 11,000	\$ 1,441,571	\$ 1,441,571
Construction in Progress	589,665	164,240	520,904	114,760	1,110,569	279,000
Buildings and Improvements	3,069,618	3,296,192	469,413	503,321	3,539,031	3,799,513
Vehicles and Equipment	2,858,873	2,071,229	368,562	415,452	3,227,435	2,486,681
Infrastructure	5,326,823	5,347,648	0	0	5,326,823	5,347,648
Water and Sewer Systems	0	0	13,123,167	13,530,229	13,123,167	13,530,229
Library	280,347	262,391	0	0	280,347	262,391
	<u>\$ 13,555,897</u>	<u>\$ 12,572,271</u>	<u>\$ 14,493,046</u>	<u>\$ 14,574,762</u>	<u>\$ 28,048,943</u>	<u>\$ 27,147,033</u>

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)

Debt Administration

At June 30, 2018, the Town had \$8,182,266 in bonds and notes payable outstanding versus \$8,192,772 on June 30, 2017 – a decrease of \$10,506 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental		Business-type		Total	
	Activities		Activities			
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Bonds and Notes Payable	\$ 3,826,000	\$ 3,213,000	\$ 4,356,266	\$ 4,979,772	\$ 8,182,266	\$ 8,192,772

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, tax rates, and fees. One of those factors was the economy and unemployment in the region. Shelburne's unemployment rate was 2.0% in June 2018, compared to 2.1 % in June 2017. These rates remained below the state unemployment rate, which was 3% in June 2018 and 3.1% in June 2017. When adopting the budget for the 2018-2019 fiscal year, the Selectboard took into account operational and capital needs of the Town, and the impact of spending on the municipal tax rate. Shelburne's municipal property tax rate is competitive with other Chittenden County towns that provide similar services. Shelburne Property values continue to be stable and the Town's 2018 common level of appraisal was 95.83%. A commercial park, occupied by a number of small to medium size businesses continues to add new buildings and tenants. The number of building permits issued each year has remained steady, with 176 permits issued in 2018 compared to 137 in the prior year. The Town grand list contains a mix of residential, commercial and industrial properties. The total assessed value of all taxable properties in Shelburne was \$1.6 billion in July 2018, which was an increase of 0.9% from 2017. Of the total grand list, 77% of the total value is from residential properties, 17% is from Commercial, Industrial and utility properties and 6% is from farm/land/miscellaneous properties. The town's commercial/industrial categories contain a mixture of retail, manufacturing and tourist uses as well as retirement communities.

As for the Town's business-type activities, the Selectboard approved a sewer user rate of \$13.15/000 gallons effective July 1, 2018, which was unchanged from the prior year. A \$3.0 million bond issue was passed in November 2017 to fund necessary equipment and collection system replacements. Work on this will take place in 2018 and 2019.

The water user fee increased by 2.5% effective July 1, 2018. Sales volumes, which previously had been decreasing, have stabilized within the last year. The Water and Sewer budgets have experienced lower annual sales in recent years due to conservation, weather, demographics and economic conditions. The Selectboard and Water Commission continue to monitor the activities of these funds closely with the objective of achieving stable rates while maintaining the system infrastructure, reliability and meeting regulatory requirements.

Stormwater: The Munroe Brook passes through Shelburne and has been identified as an impaired waterway. The Town operates under a Municipal Separate Storm Sewer System ("MS4") Permit, which requires that a flow restoration plan be developed and implemented to eliminate sources of pollution flowing into Lake Champlain. Currently, the estimated cost to the Town of the necessary measures for this watershed is \$4,000,000. The town is currently working to create a stormwater utility that will start in July 2020 in order to meet the regulatory and financial requirements.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)

Requests for Information

This report is designed to provide an overview of the Town of Shelburne's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager or Finance Director, Town of Shelburne, 5420 Shelburne Road, P.O. Box 88, Shelburne, VT 05482. 802-985-5110.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,306,231	\$ 143,619	\$ 2,449,850
Investments	1,339,202	711,904	2,051,106
Receivables (Net of Allowance for Uncollectibles)	1,153,871	843,145	1,997,016
Internal Balances	(13,203)	13,203	0
Prepaid Expenses	61,246	7,237	68,483
Equipment Purchase Deposit	46,025	0	46,025
Inventory	0	2,500	2,500
Capital Assets:			
Land	1,430,571	11,000	1,441,571
Construction in Progress	589,665	520,904	1,110,569
Other Capital Assets, (Net of Accumulated Depreciation)	11,535,662	13,961,142	25,496,804
Total Assets	<u>18,449,270</u>	<u>16,214,654</u>	<u>34,663,924</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	446,694	61,652	508,346
Total Deferred Outflows of Resources	<u>446,694</u>	<u>61,652</u>	<u>508,346</u>
<u>LIABILITIES</u>			
Accounts Payable	342,882	281,932	624,814
Accrued Payroll and Benefits Payable	84,901	11,286	96,187
Accrued Interest Payable	14,418	10,989	25,407
Unearned Revenue	26,882	15,184	42,066
Bond Anticipation Note Payable	415,000	0	415,000
Noncurrent Liabilities:			
Due Within One Year	756,000	779,265	1,535,265
Due in More than One Year	4,111,108	3,737,972	7,849,080
Total Liabilities	<u>5,751,191</u>	<u>4,836,628</u>	<u>10,587,819</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	598,051	0	598,051
Special Assessment	390,000	0	390,000
Deferred Inflows of Resources Related to the Town's Participation in VMERS	19,988	2,575	22,563
Total Deferred Inflows of Resources	<u>1,008,039</u>	<u>2,575</u>	<u>1,010,614</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	9,314,898	10,136,780	19,451,678
Restricted:			
Recreation	251,046	0	251,046
Cemetery	270,114	0	270,114
Highway Equipment	203,331	0	203,331
Records Preservation	112,574	0	112,574
Library	318,450	0	318,450
Other	146,230	0	146,230
Unrestricted	1,520,091	1,300,323	2,820,414
Total Net Position	<u>\$ 12,136,734</u>	<u>\$ 11,437,103</u>	<u>\$ 23,573,837</u>

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

TOWN OF SHELBURNE, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 2,348,826	\$ 569,534	\$ 28,196	\$ 0	\$ (1,751,096)	\$ 0	\$ (1,751,096)
Public Safety	3,185,739	683,007	320,757	83,176	(2,098,799)	0	(2,098,799)
Highways and Public Works	1,770,931	16,873	223,539	111,831	(1,418,688)	0	(1,418,688)
Health and Welfare	35,246	0	0	0	(35,246)	0	(35,246)
Recreation and Parks	487,405	294,045	48,232	0	(145,128)	0	(145,128)
Library	479,702	4,295	19,263	279,757	(176,387)	0	(176,387)
Cemetery	60,949	6,330	0	0	(54,619)	0	(54,619)
Interest on Long-term Debt	58,558	0	0	0	(58,558)	0	(58,558)
Total Governmental Activities	8,427,356	1,574,084	639,987	474,764	(5,738,521)	0	(5,738,521)
Business-Type Activities:							
Water	1,119,695	1,138,580	0	0	0	18,885	18,885
Sewer	1,629,291	1,948,935	0	33,583	0	353,227	353,227
Total Business-Type Activities	2,748,986	3,087,515	0	33,583	0	372,112	372,112
Total Primary Government	\$ 11,176,342	\$ 4,661,599	\$ 639,987	\$ 508,347	(5,738,521)	372,112	(5,366,409)
General Revenues:							
Property Taxes					5,985,675	0	5,985,675
Penalties and Interest on Delinquent Taxes					49,600	0	49,600
General State Grants					178,057	0	178,057
Unrestricted Investment Earnings					46,714	7,315	54,029
Other Revenues					48,784	64,700	113,484
Transfers					(10,000)	10,000	0
Total General Revenues and Transfers					6,298,830	82,015	6,380,845
Change in Net Position					560,309	454,127	1,014,436
Net Position - July 1, 2017					11,576,425	10,982,976	22,559,401
Net Position - June 30, 2018					\$ 12,136,734	\$ 11,437,103	\$ 23,573,837

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

TOWN OF SHELBURNE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 2,203,836	\$ 102,395	\$ 2,306,231
Investments	892,419	446,783	1,339,202
Receivables (Net of Allowance for Uncollectibles)	1,153,871	0	1,153,871
Due from Other Funds	0	1,316,489	1,316,489
Prepaid Expenses	61,246	0	61,246
Equipment Purchase Deposit	46,025	0	46,025
Total Assets	\$ 4,357,397	\$ 1,865,667	\$ 6,223,064
<u>LIABILITIES</u>			
Accounts Payable	\$ 286,159	\$ 56,723	\$ 342,882
Accrued Payroll and Benefits Payable	84,901	0	84,901
Due to Other Funds	1,299,379	30,313	1,329,692
Unearned Revenue	26,882	0	26,882
Bond Anticipation Note Payable	0	415,000	415,000
Total Liabilities	1,697,321	502,036	2,199,357
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	598,051	0	598,051
Unavailable Property Taxes, Penalties and Interest	323,509	0	323,509
Unavailable Other Receivables	83,177	0	83,177
Special Assessment	390,000	0	390,000
Total Deferred Inflows of Resources	1,394,737	0	1,394,737
<u>FUND BALANCES</u>			
Nonspendable	107,271	0	107,271
Restricted	0	1,301,745	1,301,745
Committed	523,971	256,198	780,169
Assigned	0	234,996	234,996
Unassigned/(Deficit)	634,097	(429,308)	204,789
Total Fund Balances	1,265,339	1,363,631	2,628,970
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,357,397	\$ 1,865,667	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.			13,555,898
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			406,686
Deferred Outflows of Resources Related to the Town's Participation in VMERS are applicable to Future Periods and, therefore, are not Reported in the Funds.			426,706
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.			(4,881,526)
Net Position of Governmental Activities			\$ 12,136,734

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

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 5,883,372	\$ 0	\$ 5,883,372
Penalties & Interest on Delinquent Taxes	49,600	0	49,600
Intergovernmental	765,826	28,326	794,152
Charges for Services	897,367	26,090	923,457
Permits, Licenses & Fees	318,360	66,478	384,838
Rental Income	248,054	0	248,054
Investment Income	12,104	34,610	46,714
Contributions	32,000	425,997	457,997
Other	106,268	52,724	158,992
Total Revenues	8,312,951	634,225	8,947,176
Expenditures:			
General Government	2,012,081	135	2,012,216
Public Safety	2,930,283	338	2,930,621
Cemetery	60,949	0	60,949
Highways and Public Works	1,493,498	400	1,493,898
Health and Welfare	35,246	0	35,246
Recreation and Parks	348,294	48,750	397,044
Library	373,733	61,106	434,839
Capital Outlay:			
General Government	23,696	0	23,696
Public Safety	38,978	1,034,621	1,073,599
Highways and Public Works	200,055	98,514	298,569
Recreation and Parks	0	32,144	32,144
Library	30,163	459,206	489,369
Debt Service:			
Principal	460,000	97,000	557,000
Interest	65,288	2,226	67,514
Total Expenditures	8,072,264	1,834,440	9,906,704
Excess/(Deficiency) of Revenues Over Expenditures	240,687	(1,200,215)	(959,528)
Other Financing Sources/(Uses):			
Proceeds from Long-Term Debt	90,000	1,080,000	1,170,000
Transfers In	44,962	178,388	223,350
Transfers Out	(188,388)	(44,962)	(233,350)
Total Other Financing Sources/(Uses)	(53,426)	1,213,426	1,160,000
Net Change in Fund Balances	187,261	13,211	200,472
Fund Balances - July 1, 2017	1,078,078	1,350,420	2,428,498
Fund Balances - June 30, 2018	<u>\$ 1,265,339</u>	<u>\$ 1,363,631</u>	<u>\$ 2,628,970</u>

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

TOWN OF SHELBURNE, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total government funds (Exhibit D)	\$	200,472
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,917,377) is allocated over their estimated useful lives and reported as depreciation expense (\$881,308). This is the amount by which capital outlays exceeded depreciation in the current period.		1,036,069
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, loss on disposals and donations) is to decrease net position.		(52,442)
The issuance of long-term debt (\$1,170,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$557,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(613,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		98,547
Governmental Funds report pension contributions as expenditures (\$111,201). However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions (\$206,254) is reported as pension expense. This amount is due to the net effect of the differences in the treatment of pension expense.		(95,053)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(14,284)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>560,309</u></u>

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

TOWN OF SHELBURNE, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 143,619	\$ 0	\$ 143,619
Investments	520,139	191,765	711,904
Receivables (Net of Allowance for Uncollectibles)	314,457	528,688	843,145
Due from Other Funds	0	788,186	788,186
Prepaid Expenses	2,921	4,316	7,237
Inventory	2,500	0	2,500
Total Current Assets	983,636	1,512,955	2,496,591
Noncurrent Assets:			
Land	0	11,000	11,000
Construction in Progress	0	520,904	520,904
Buildings and Building Improvements	41,989	1,677,024	1,719,013
Vehicles, Machinery and Equipment	129,457	508,999	638,456
Distribution/Collection Systems	4,989,489	17,044,739	22,034,228
Less: Accumulated Depreciation	(1,984,228)	(8,446,327)	(10,430,555)
Total Noncurrent Assets	3,176,707	11,316,339	14,493,046
Total Assets	4,160,343	12,829,294	16,989,637
Deferred Outflows of Resources:			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	15,403	46,249	61,652
Total Deferred Outflows of Resources	15,403	46,249	61,652
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	51,975	229,957	281,932
Accrued Payroll	4,211	7,075	11,286
Accrued Interest Payable	5,473	5,516	10,989
Unearned Revenue	11,295	3,889	15,184
Due to Other Funds	774,983	0	774,983
Bonds and Notes Payable - Current Portion	110,000	669,265	779,265
Total Current Liabilities	957,937	915,702	1,873,639
Noncurrent Liabilities:			
Compensated Absences Payable	39,598	17,324	56,922
Net Pension Liability	27,687	76,362	104,049
Bonds and Notes Payable - Noncurrent Portion	835,000	2,742,001	3,577,001
Total Noncurrent Liabilities	902,285	2,835,687	3,737,972
Total Liabilities	1,860,222	3,751,389	5,611,611
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	685	1,890	2,575
Total Deferred Inflows of Resources	685	1,890	2,575
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,231,707	7,905,073	10,136,780
Unrestricted	83,132	1,217,191	1,300,323
Total Net Position	\$ 2,314,839	\$ 9,122,264	\$ 11,437,103

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

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 1,104,294	\$ 1,928,131	\$ 3,032,425
Penalties & Interest	7,197	16,047	23,244
Meter Reading Reimbursement from Sewer Fund	16,400	0	16,400
Miscellaneous	<u>10,689</u>	<u>4,757</u>	<u>15,446</u>
 Total Operating Revenues	 <u>1,138,580</u>	 <u>1,948,935</u>	 <u>3,087,515</u>
Operating Expenses:			
Salaries and Wages	204,249	328,980	533,229
Administrative Charges	45,106	45,106	90,212
Meter Reading Charges	0	16,400	16,400
Benefits	81,076	125,808	206,884
Insurance	18,000	65,254	83,254
Professional Services	0	80,233	80,233
Utilities	0	230,261	230,261
Sludge Removal	0	86,059	86,059
Water Supply & Engineering	377,012	0	377,012
Maintenance	236,806	135,828	372,634
Chemicals	0	61,196	61,196
Depreciation	102,773	435,361	538,134
Other Operating Expenses	<u>21,028</u>	<u>2,359</u>	<u>23,387</u>
 Total Operating Expenses	 <u>1,086,050</u>	 <u>1,612,845</u>	 <u>2,698,895</u>
Operating Income	<u>52,530</u>	<u>336,090</u>	<u>388,620</u>
Non-Operating Revenues/(Expenses):			
Water Tank Revenue	64,700	0	64,700
Investment Income	4,829	2,486	7,315
Interest Expense	<u>(33,645)</u>	<u>(16,446)</u>	<u>(50,091)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>35,884</u>	 <u>(13,960)</u>	 <u>21,924</u>
Capital Contributions and Transfers:			
Transfers In	0	10,000	10,000
Capital Contributions - Connection Fees	<u>0</u>	<u>33,583</u>	<u>33,583</u>
 Total Capital Contributions and Transfers	 <u>0</u>	 <u>43,583</u>	 <u>43,583</u>
Change in Net Position	88,414	365,713	454,127
Net Position - July 1, 2017	<u>2,226,425</u>	<u>8,756,551</u>	<u>10,982,976</u>
Net Position - June 30, 2018	<u>\$ 2,314,839</u>	<u>\$ 9,122,264</u>	<u>\$ 11,437,103</u>

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

TOWN OF SHELBURNE, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,054,661	\$ 1,901,955	\$ 2,956,616
Receipts from Interfund Services	16,400	0	16,400
Other Receipts	10,689	4,757	15,446
Payments for Goods and Services	(701,398)	(507,577)	(1,208,975)
Payments for Interfund Services	(45,106)	(61,506)	(106,612)
Payments for Wages and Benefits	(276,345)	(454,917)	(731,262)
Net Cash Provided by Operating Activities	<u>58,901</u>	<u>882,712</u>	<u>941,613</u>
Cash Flows From Noncapital Financing Activities:			
Water Tank Rental Revenue	64,700	0	64,700
Transfers from Other Funds	0	10,000	10,000
Decrease/(Increase) in Due from Other Funds	1,143	98,172	99,315
Net Cash Provided by Noncapital Financing Activities	<u>65,843</u>	<u>108,172</u>	<u>174,015</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds of Long-Term Debt	0	150,051	150,051
Proceeds from Sale of Fixed Assets	0	0	0
Capital Contributions-Connection Fees	0	33,583	33,583
Acquisition and Construction of Capital Assets	(2,504)	(453,914)	(456,418)
Principal Paid on:			
General Obligation Bonds	(85,000)	(688,557)	(773,557)
Interest Paid on:			
General Obligation Bonds	(34,960)	(32,047)	(67,007)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(122,464)</u>	<u>(990,884)</u>	<u>(1,113,348)</u>
Cash Flows from Investing Activities:			
Net Change in Certificates of Deposit	(16,458)	(57,571)	(74,029)
Receipt of Interest	4,829	2,486	7,315
Net Cash Provided/(Used) by Investing Activities	<u>(11,629)</u>	<u>(55,085)</u>	<u>(66,714)</u>
Net Increase/(Decrease) in Cash	(9,349)	(55,085)	(64,434)
Cash - July 1, 2017	<u>152,968</u>	<u>55,085</u>	<u>208,053</u>
Cash - June 30, 2018	<u>\$ 143,619</u>	<u>\$ 0</u>	<u>\$ 143,619</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income	\$ 52,530	\$ 336,090	\$ 388,620
Depreciation	102,773	435,361	538,134
(Increase)/Decrease in Receivables	(57,503)	(42,223)	(99,726)
Increase/(Decrease) in Accounts Payable	(48,292)	153,498	105,206
(Increase)/Decrease in Prepaid Expenses	(260)	115	(145)
Increase/(Decrease) in Pension Liabilities	844	(8,476)	(7,632)
(Increase)/Decrease in Deferred Outflows of Resources	2,232	7,986	10,218
Increase/(Decrease) in Accrued Payroll	(329)	(302)	(631)
Increase/(Decrease) in Compensated Absences Payable	5,548	(1,227)	4,321
Increase/(Decrease) in Unearned Revenue	673	0	673
Increase/(Decrease) in Deferred Inflows of Resources	685	1,890	2,575
Net Cash Provided by Operating Activities	<u>\$ 58,901</u>	<u>\$ 882,712</u>	<u>\$ 941,613</u>

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

TOWN OF SHELBURNE, VERMONT
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JUNE 30, 2018

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental fund:

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

The Town reports on the following major enterprise funds:

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

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

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

C. Measurement Focus

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

D. Basis of Accounting

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

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

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

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

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

E. Use of Estimates

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

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

1. Cash

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

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

2. Investments

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

3. Receivables

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

4. Internal Balances

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

5. Inventories and Prepaid Expenses

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

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

TOWN OF SHELBURNE, VERMONT
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JUNE 30, 2018

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

6. Pensions

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

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods that the amounts become available or to which the inflows are related.

8. Capital Assets

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

TOWN OF SHELBURNE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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

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

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

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

9. Compensated Absences

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

10. Long-term Liabilities

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

11. Fund Equity

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

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

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

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

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

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

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures in the General Fund exceeded appropriations by \$130,600. These over expenditures were funded by excess revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2018 consisted of the following:

Cash:

Deposits with Financial Institutions	<u>\$2,449,850</u>
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Investments:

Certificates of Deposit	1,748,259
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Common Stock	104,636
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Mutual Funds	<u>198,211</u>
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Total Investments	<u>2,051,106</u>
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Total Cash and Investments	<u>\$4,500,956</u>
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The Town has fourteen (14) certificates of deposit at various banks with interest rates ranging from .75% to 2.23%. The certificates of deposit mature in the following fiscal years:

2019	\$1,483,436
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2020	<u>264,823</u>
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	<u>\$1,748,259</u>
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TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Custodial Credit Risk

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

	Book <u>Balance</u>	Bank <u>Balance</u>
FDIC Insured	\$ 1,356,206	\$1,356,206
Uninsured, Collateralized by U.S. Government Securities Held by the Bank, In the Bank's Name for the Benefit of the Town	2,255,211	2,789,184
Uninsured, Collateralized by Mortgage Loans Held in the Bank's Name	<u>586,692</u>	<u>586,692</u>
Total	<u>\$ 4,198,109</u>	<u>\$4,732,082</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$2,449,850
Investments – Certificates of Deposit	<u>1,748,259</u>
Total	<u>\$4,198,109</u>

Interest Rate Risk

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

Credit Risk

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Concentration of Credit Risk

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

Fair Value Measurements

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

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

Level 2: Observable inputs other than quoted market prices

Level 3: Unobservable inputs

The fair value measurement at June 30, 2018 for the Town's investments is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Common Stock	\$ 104,636	\$ 104,636	\$ 0	\$ 0
Mutual Funds	<u>198,211</u>	<u>198,211</u>	<u>0</u>	<u>0</u>
Total Investments by Fair Value Level	<u>\$ 302,847</u>	<u>\$ 302,847</u>	<u>\$ 0</u>	<u>\$ 0</u>

B. Receivables

Receivables as of June 30, 2018, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 256,730	\$ 0	\$ 256,730
Penalties and Interest	89,019	0	89,019
Billed Services	180,388	91,507	271,895
Unbilled Services	0	716,480	716,480
Grants	112,540	0	112,540
Special Assessment - Beaver Creek Infrastructure	390,000	0	390,000
Miscellaneous	125,194	45,158	170,352
Allowance for Doubtful Accounts - Sewer	0	(10,000)	(10,000)
Total	<u>\$ 1,153,871</u>	<u>\$ 843,145</u>	<u>\$ 1,997,016</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Loans Receivable

Loans receivable as of June 30, 2018 consists of a number of loans for community development as follows:

Loan Receivable, Shelburne Housing Limited Partnership, Payable on Demand on and after December 31, 2033, 0% Interest, Secured by a Second Mortgage	\$ 530,000
Loan Receivable, Harrington Village Limited Partnership, Payable on Demand on and After November 14, 2043, 0% Interest, Secured by Second Mortgage	668,750
Loan Receivable, Shelburne Housing Limited Partnership, Payable on Demand on and After November 15, 2043, 0% Interest, Secured by Second Mortgage	<u>581,250</u>
Total	1,780,000
Less: Allowance for Doubtful Loans Receivable	<u>(1,780,000)</u>
Reported Value at June 30, 2018	\$ <u>0</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,430,571	\$ 0	\$ 0	\$ 1,430,571
Construction in Progress	<u>164,240</u>	<u>466,503</u>	<u>41,078</u>	<u>589,665</u>
Total Capital Assets, Not Being Depreciated	<u>1,594,811</u>	<u>466,503</u>	<u>41,078</u>	<u>2,020,236</u>
Capital Assets, Being Depreciated:				
Buildings and Land Improvements	9,590,904	81,737	0	9,672,641
Vehicles and Equipment	5,220,899	1,165,055	415,634	5,970,320
Infrastructure	6,540,574	200,301	0	6,740,875
Library Collection	<u>417,369</u>	<u>53,859</u>	<u>0</u>	<u>471,228</u>
Totals	<u>21,769,746</u>	<u>1,500,952</u>	<u>415,634</u>	<u>22,855,064</u>
Less Accumulated Depreciation for:				
Buildings and Land Improvements	6,294,712	308,311	0	6,603,023
Vehicles and Equipment	3,090,312	375,327	354,192	3,111,447
Infrastructure	1,252,284	161,768	0	1,414,052
Library Collection	<u>154,978</u>	<u>35,903</u>	<u>0</u>	<u>190,881</u>
Totals	<u>10,792,286</u>	<u>881,309</u>	<u>354,192</u>	<u>11,319,403</u>
Total Capital Assets, Being Depreciated	<u>10,977,460</u>	<u>619,643</u>	<u>61,442</u>	<u>11,535,661</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,572,271</u>	<u>\$ 1,086,146</u>	<u>\$ 102,520</u>	<u>\$ 13,555,897</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,000	\$ 0	\$ 0	\$ 11,000
Construction in Progress	114,760	419,441	13,297	520,904
Total Capital Assets, Not Being Depreciated	125,760	419,441	13,297	531,904
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,719,013	0	0	1,719,013
Vehicles, Machinery and Equipment	638,456	0	0	638,456
Distribution and Collection Systems	21,983,954	50,274	0	22,034,228
Totals	24,341,423	50,274	0	24,391,697
Less Accumulated Depreciation for:				
Buildings and Building Improvements	1,215,692	33,908	0	1,249,600
Vehicles, Machinery and Equipment	223,004	46,890	0	269,894
Distribution and Collection Systems	8,453,725	457,336	0	8,911,061
Totals	9,892,421	538,134	0	10,430,555
Total Capital Assets, Being Depreciated	14,449,002	(487,860)	0	13,961,142
Business-Type Activities Capital Assets, Net	\$ 14,574,762	\$ (68,419)	\$ 13,297	\$ 14,493,046

Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 218,317	Water	\$ 102,773
Public Safety	250,734	Sewer	435,361
Highways and Public Works	277,033		
Recreation and Parks	90,362		
Library	44,863		
Total Depreciation Expense - Governmental Activities	\$ 881,309	Total Depreciation Expense - Business-Type Activities	\$ 538,134

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2018 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,299,379
Non-Major Governmental Funds	1,316,489	30,313
Water Fund	0	774,983
Sewer Fund	788,186	0
Total	\$ 2,104,675	\$ 2,104,675

TOWN OF SHELBURNE, VERMONT
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Interfund transfers during the year ended June 30, 2018 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Bay Park Fund	\$ 28,788	Annual Appropriation
General Fund	Police Fund	35,000	Annual Appropriation
General Fund	Highway Equipment Fund	81,000	Annual Appropriation
General Fund	Special Revenue Miscellaneous Fund	3,600	Annual Appropriation
General Fund	Open Land Trust Fund	30,000	Annual Appropriation
General Fund	Sewer Fund	10,000	Fund Stormwater Expenses
Non-Major Funds:			
Records Preservation Fund	General Fund	26,544	Reimburse Expenditures in General Fund
Recreation (Baseball Fund)	General Fund	3,407	Reimburse Expenditures in General Fund
Recreation - Other	General Fund	430	Reimburse Expenditures in General Fund
Lillian Davis Memorial Fund	General Fund	<u>14,581</u>	Reimburse Expenditures in General Fund
Total		<u>\$ 233,350</u>	

F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$11,746 from the difference between the expected and actual experience, \$169,035 from changes in assumptions, \$134,482 from the difference between the projected and actual investment earnings, \$20,230 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$111,201 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$446,694.

Deferred outflows of resources in the Business-type Activities consists of \$1,514 from the difference between the expected and actual experience, \$21,782 from changes in assumptions, \$17,330 from the difference between the projected and actual investment earnings, \$2,607 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$18,419 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Business-type Activities is \$61,652.

Deferred outflows of resources in the Water Fund consists of \$403 from the difference between the expected and actual experience, \$5,796 from changes in assumptions, \$4,611 from the difference between the projected and actual investment earnings, \$694 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$3,899 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Water Fund is \$15,403.

Deferred outflows of resources in the Sewer Fund consists of \$1,111 from the difference between the expected and actual experience, \$15,986 from changes in assumptions, \$12,719 from the difference between the projected and actual investment earnings, \$1,913 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$14,520 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Sewer Fund is \$46,249.

TOWN OF SHELBURNE, VERMONT
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G. Unearned Revenue

Unearned revenue in the General Fund consists of \$7,577 of rent received in advance and \$19,305 of recreation revenues received in advance.

Unearned revenue in the Water Fund consists of \$11,295 in customer fees received in advance.

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

This revenue will be earned in 2019 as fees are billed.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$598,051 of prepaid property taxes, \$390,000 of special assessments and \$19,988 from the difference between expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) as further described in Note V.A.1. Total deferred inflows of resources in the Governmental Activities is \$1,008,039.

Deferred inflows of resources in the General Fund consists of \$323,509 of delinquent property taxes, penalties and interest on those taxes and \$83,177 of other receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$598,051 of prepaid property taxes and \$390,000 of special assessments. Total deferred inflows of resources in the General Fund is \$1,394,737.

Deferred inflows of resources in the Business-type Activities consists of \$2,575 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1.

Deferred inflows of resources in the Water Fund consists of \$685 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1.

Deferred inflows of resources in the Sewer Fund consists of \$1,890 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.1.

I. Bond Anticipation Note

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

	Beginning Balance	Additions	Reductions	Ending Balance
Union Bank, \$1,000,000				
Line of credit, 1.19%, Due December 20, 2018.	\$ 0	\$ 415,000	\$ 0	\$ 415,000

TOWN OF SHELBURNE, VERMONT
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J. Long-term Liabilities

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

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

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

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

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

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

Long-term liabilities outstanding as of June 30, 2018 were as follows:

<u>Governmental Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Town Center bond payable to Vermont Municipal Bond Bank, annual principal payments of \$235,000 plus semi-annual interest payments at 3.62% to 5.18%, due December 1, 2021.	\$ 940,000	\$ 235,000
Capital Improvement (bike/pedestrian path, Spear Street) bond payable to Vermont Municipal Bond Bank, annual principal payments of \$20,000, plus semi-annual interest payments at 1.9% and 4.41%, matures November 1, 2023.	120,000	20,000
Recreation facilities and sand/salt shed bond payable to Vermont Municipal Bond Bank, annual principal payments of \$75,000 to \$135,000, plus semi-annual interest payments at 3% to 4.49%, due November 1, 2025.	600,000	75,000

TOWN OF SHELBURNE, VERMONT
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Governmental Activities	Total	Due in One Year
Capital Improvement (Fire truck, Beach seawall, Webster Road Path) bond payable, Vermont Municipal Bond Bank, annual principal payments of \$15,000 to \$85,000, plus semi-annual interest payments at 1.033% to 3.426%, matures November 1, 2030.	\$ 405,000	\$ 75,000
Special assessment debt with governmental commitment, Beaver Creek Infrastructure, Vermont Municipal Bond Bank, annual principal payments of \$30,000, plus semi-annual interest payments at 1.54% to 5.05%, due November 1, 2030.	390,000	30,000
Capital Improvement (bike/pedestrian path/ sidewalk, Webster Road, Harbor Road) bond payable, Vermont Municipal Bond Bank, annual principal payments of \$25,000 to \$30,000, plus semi-annual interest payments at 1.098% to 3.0%, matures November 15, 2022.	125,000	25,000
Capital Improvement (Fire truck) bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$65,000, plus semi-annual interest payments at 1.78% to 3.49%, matures November, 2032.	970,000	65,000
Capital equipment (truck) note payable to the National Bank of Middlebury, Annual principal payment of \$76,000, plus annual interest payments at 1.42%, matures August 8, 2018.	76,000	76,000
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payment of \$40,000, plus annual interest payments at 2.05%, matures February 12, 2019.	40,000	40,000
Capital improvement (Town Center) note payable to Union Bank, principal and interest at 2.1% due June 13, matures June 13, 2020.	90,000	45,000
Capital equipment (truck) note payable to Union Bank, principal and interest at 1.99% due at maturity on June 13, 2019.	<u>70,000</u>	<u>70,000</u>
Total long-term bonds and notes payable	<u>\$ 3,826,000</u>	<u>\$ 756,000</u>
Business-Type Activities	Total	Due in One Year
Sewer Fund		
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available \$7,495,636, non-interest bearing, annual principal payments of \$355,266.	\$ 1,776,332	\$ 355,266
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total loan \$103,909, 2% administration fee, annual principal and administrative fee payments of \$6,355.	67,203	5,011

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Business-Type Activities	Total	Due in One Year
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available, \$1,719,975, non-interest bearing, annual principal payments of \$85,979.	\$ 601,850	\$ 85,979
Shelburne Heights sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total loan \$1,011,823 non-interest bearing, annual principal payments of \$50,648.	253,238	50,648
Sewer bond payable to State of Vermont Special Environmental Revolving Fund, total loan \$698,450, 2% administration fee, annual principal and administrative fee payments of \$42,715, matures April 1, 2027.	348,650	35,742
Bond payable, State of Vermont Special Environmental Revolving Fund, administrative fee of 2%, maturing September 2031, annual principal and administrative fee payments of \$9,371.	113,451	7,102
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund total loan \$199,511, 2% administration fee, annual principal and administrative payments of \$15,527, matures July 1, 2025.	100,491	13,517
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, non-interest bearing, annual principal payments of \$6,810 beginning June, 2022, matures June, 2026.	34,051	0
Capital equipment (trucks) note payable to the National Bank of Middlebury, interest at 1.93%, annual principal payment of \$116,000, matures December 18, 2018.	<u>116,000</u>	<u>116,000</u>
Total Sewer Fund long-term bond and notes payable	<u>3,411,266</u>	<u>669,265</u>
 Water Fund		
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$50,000 to \$55,000, plus semi-annual interest payments at 3.57% to 4.69%, matures November 1, 2023.	\$ 325,000	\$ 55,000
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of between \$4,000 to \$10,000 plus semi-annual interest payments at 3.0% to 4.38%, matures November 1, 2020.	15,000	5,000

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Business-Type Activities	Total	Due in One Year
Water bond payable, to the Vermont Municipal Bond Bank, annual principal payments of between \$20,000 and \$25,000 plus semi-annual interest payments at 0.44% to 4.33%, matures November 1, 2028.	\$ 245,000	\$ 25,000
Water bond payable, to the Vermont Municipal Bond Bank, annual principal payments of between \$20,000 and \$25,000 beginning November 1, 2018 plus semi-annual interest payments at 3.08%, matures November 1, 2032.	<u>360,000</u>	<u>25,000</u>
Total Water Fund long-term bond and notes payable	<u>945,000</u>	<u>110,000</u>
Total Business-type Activities	<u>\$ 4,356,266</u>	<u>\$ 779,265</u>

Maturities of bonds and notes payable are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 756,000	\$ 65,467	\$ 821,467	\$ 779,265	\$ 46,450	\$ 825,715
2020	570,000	39,795	609,795	664,768	39,083	703,851
2021	525,000	60,345	585,345	661,463	30,330	691,793
2022	470,000	56,195	526,195	666,025	33,393	699,418
2023	235,000	50,460	285,460	670,137	23,942	694,079
2024-2028	815,000	136,091	951,091	736,588	56,989	793,577
2029-2033	<u>455,000</u>	<u>35,912</u>	<u>490,912</u>	<u>178,020</u>	<u>11,662</u>	<u>189,682</u>
Total	<u>\$ 3,826,000</u>	<u>\$ 444,265</u>	<u>\$ 4,270,265</u>	<u>\$ 4,356,266</u>	<u>\$ 241,849</u>	<u>\$ 4,598,115</u>

Changes in long-term liabilities for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Notes Payable	\$ 3,213,000	\$ 1,170,000	\$ 557,000	\$ 3,826,000	\$ 756,000
Compensated Absences	210,437	23,240	0	233,677	0
Net Pension Liability	<u>818,406</u>	<u>0</u>	<u>10,975</u>	<u>807,431</u>	<u>0</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 4,241,843</u>	<u>\$ 1,193,240</u>	<u>\$ 567,975</u>	<u>\$ 4,867,108</u>	<u>\$ 756,000</u>

TOWN OF SHELBURNE, VERMONT
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JUNE 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Bonds and Notes Payable	\$ 4,979,772	\$ 150,051	\$ 773,557	\$ 4,356,266	\$ 779,265
Compensated Absences	52,601	4,321	0	56,922	0
Net Pension Liability	<u>111,681</u>	<u>0</u>	<u>7,632</u>	<u>104,049</u>	<u>0</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 5,144,054</u>	<u>\$ 154,372</u>	<u>\$ 781,189</u>	<u>\$ 4,517,237</u>	<u>\$ 779,265</u>

K. Fund Balances

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

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

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

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

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

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

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

TOWN OF SHELBURNE, VERMONT
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The fund balance in the following fund is nonspendable as follows:

Major Funds

General Fund:

Prepaid Expenses and Deposits	\$ <u>107,271</u>
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The fund balances in the following funds are restricted as follows:

Non-Major Funds

Special Revenue Funds:

Restricted for Recreation by Impact Fees and Contributions (Source of Revenue is Impact Fees and Contributions)	\$ 162,381
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Fees)	112,574
Other Restrictions by Donations (Source of Revenue is Donations)	<u>37,192</u>
Total Special Revenue Funds	<u>312,147</u>

Capital Project Funds:

Restricted for Library Building by Donations	216,004
Restricted for Highway Equipment Replacement Expenditures by Statute	203,331
Restricted for Fire Truck by Donations	8,960
Restricted for Police by Grant Agreements and Donations	<u>100,078</u>
Total Capital Project Funds	<u>528,373</u>

Permanent Funds:

Restricted for Library Endowment by Trust Agreements	102,446
Restricted for Cemetery Fund by Trust Agreements	270,114
Restricted for Lillian Davis Memorial Fund by Bequest	<u>88,665</u>
Total Permanent Funds	<u>461,225</u>
Total Non-Major Funds	<u>1,301,745</u>
Total Restricted Fund Balances	\$ <u>1,301,745</u>

* The nonspendable portion of the Permanent Funds is unknown.

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

Major Fund

General Fund:

Committed for Ambulance and Rescue Operations by Voters	\$ <u>523,971</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Cemetery Tractor by Voters	<u>10,927</u>
Total Special Revenue Funds	<u>10,927</u>

Capital Projects Funds:

Committed for Open Land by Voters	171,155
Committed for Bay Park by Voters	49,166
Committed for Police Equipment by Voters	<u>24,950</u>
Total Capital Project Funds	<u>245,271</u>

Total Non-Major Funds	<u>256,198</u>
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Total Committed Fund Balances	\$ <u><u>780,169</u></u>
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The fund balances in the following funds are assigned as follows:

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses (Source of Revenue is Fees)	\$ <u>211,868</u>
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Capital Projects Funds:

Assigned for Highway Salt Shed Expenditures	<u>23,128</u>
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Total Assigned Fund Balances	\$ <u><u>234,996</u></u>
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The negative unassigned fund balance of \$15,196 in the Pinehaven Storm Water Fund will be funded with future grant revenue.

The negative unassigned fund balance of \$414,112 in the Library Bond Fund will be funded with future bond proceeds.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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L. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2018 consisted of the following:

Governmental Activities:

Restricted for Recreation by Grant Agreements	\$	162,381
Restricted for Records Preservation Expenses by Statute		112,574
Restricted for Other Purposes by Donations		37,192
Restricted for Library Building by Donations		216,004
Restricted for Highway Equipment Replacement Expenditures by Statute		203,331
Restricted for Police by Grant Agreements and Donations		100,078
Restricted for Fire by Donations		8,960
Restricted for Cemetery by Trust Agreements		270,114
Restricted for Library by Trust Agreements		102,446
Restricted for Recreation Projects (Lillian Davis Memorial) by Bequest		88,665
Total Governmental Activities	\$	1,301,745

The designated net position of the Town's Proprietary Funds as of June 30, 2018 consisted of the following:

Water Fund:

Designated for Water Capital Projects	\$	69,277
Total Water Fund		69,277

Sewer Fund:

Designated for Sewer Capital Projects		381,040
Designated for Future Sewer Capital Projects		284,101
Total Sewer Fund		665,141
Total Business-type Activities	\$	734,418

V. OTHER INFORMATION

A. BENEFIT PLANS

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

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis, and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2018, the retirement system consisted of 423 participating employers.

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

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

Pension Liabilities, Pension Expense and Deferred Outflows of Resources

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net pension liability of \$121,155,552. As of June 30, 2018, the Town’s proportionate share of this was .7523% resulting in a liability of \$911,479. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2017, the Town’s proportion of .7523% was an increase of .0296% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$229,931.

As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 13,260	\$ 22,563
Changes in proportional share of contributions	22,837	0
Difference between projected and actual earnings on pension plan investments	151,812	0
Changes in Assumptions	190,817	0
Town's required employer contributions made subsequent to the measurement date	129,620	0
	\$ 508,346	\$ 22,563

TOWN OF SHELBURNE, VERMONT
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The deferred outflows of resources resulting from the Town’s required employer contributions made subsequent to the measurement date in the amount of \$129,620 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	
2019	\$ 127,962
2020	180,787
2021	50,791
2022	<u>(3,377)</u>
Total	<u>\$ 356,163</u>

Summary of System Provisions

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

Creditable Service: Service as a member plus purchased service.

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

Service Retirement Allowance:

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

Amount: Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

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

Early Retirement Allowance:

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

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

TOWN OF SHELBURNE, VERMONT
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Vested Retirement Allowance:

Eligibility: Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

Member Contributions: Group B – 4.875%. Group C – 10.00%.

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

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

Significant Actuarial Assumptions and Methods

Interest Rate: 7.50%, net of pension plan investment expenses, including inflation, a decrease from 7.95% in the prior year.

Salary Increases: 5% per year.

TOWN OF SHELBURNE, VERMONT
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Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: Groups B and C – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B and C members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75% for all groups.

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

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

Inflation: 2.50%, a decrease from 3% in the prior year.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

<u>Asset Class</u>	<u>Long-term Expected Target Allocation</u>	<u>Real Rate of Return</u>
US Equity	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$1,627,386	\$911,479	\$317,750

Additional Information

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

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

The Town also participates in the VMERS defined contribution (DC) plan. Employees contribute 5% of the earnings to the plan and the Town contributes 5.125%. Covered payroll under the plan was \$1,171,077 and pension expense was \$60,019.

TOWN OF SHELBURNE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

B. RISK MANAGEMENT

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

The Town of Shelburne is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Insurance Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are due in three equal installments on August 15, November 15 and March 15. The Town assesses a 5% penalty on delinquent taxes and interest is assessed at 1.5% per month after the first month of delinquency. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	\$.3879	\$.3879
Veterans Exemption	.0006	.0006
Education	<u>1.4748</u>	<u>1.5990</u>
Total	<u>\$1.8633</u>	<u>\$1.9875</u>

D. ENDOWMENT FUND

On March 24, 1998, the Pierson Library created an endowment at the Vermont Community Foundation. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds as of the end of the previous year. Payments are to be made at least semiannually. The endowment is not reflected on the balance sheet of the Town. The balance of the Endowment Fund at June 30, 2018 is \$112,262.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

E. CONTINGENT LIABILITIES

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

F. COMMITMENTS

The Town has an open construction contract at June 30, 2018 for the construction of a new library in the amount of \$5,780,000. None had been spent at June 30, 2018. The Town has an open construction contract at June 30, 2018 for a sewer project in the amount of \$1,591,846. \$320,349 was spent on the contract in 2018.

G. SUBSEQUENT EVENTS

At a special meeting held November 3, 2015, Shelburne voters approved a bond issue of up to \$3,000,000 for the purpose of making capital improvements to the Town sewer collection system and facilities. Bond payments will be funded through sewer user fees. In June 2018, the Vermont Special Environmental Revolving Fund had approved \$1,831,153 in bonds through the Vermont Municipal Bond Bank at zero percent interest. The balance drawn at June 30, 2018 was \$34,051. After year end, \$1,233,175 was drawn on the loan. In October 2018, the loan balance increased to \$2.014 million.

At a special meeting held November 7, 2017, Shelburne voters approved a bond issue of up to \$6,500,000 for the purpose of public library construction, Town Hall renovations and municipal campus enhancements. As of June 30, 2018, no bonds were issued. In fiscal year 2019, \$2,000,000 in bonds were issued at 1.7 to 4.17% interest to be repaid over 20 years.

In October 2018, the Town purchased highway equipment with a \$100,000 loan from the Vermont Municipal Equipment Loan fund with interest at 2%, to be repaid over five years.

In December 2017, an anonymous donor pledged \$500,000 for the Town's library project if the Town could raise the same amount by November, 2018. The Town raised the required amount and the donor paid the \$500,000 pledge in December, 2018.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes:			
Property Taxes	\$ 5,892,246	\$ 5,822,821	\$ (69,425)
Special Assessments	45,294	45,297	3
Late Homestead Filing	13,000	15,254	2,254
Penalties	40,000	40,118	118
Interest Income	30,000	9,482	(20,518)
Total Property Taxes	6,020,540	5,932,972	(87,568)
Administration Revenue:			
Animal Licenses	6,000	6,024	24
Animal Licenses Transfer to Dog Park Fund	(800)	0	800
Liquor Licenses	2,865	2,980	115
Marriage/Civil Union Licenses	540	480	(60)
Recording Fees	50,000	31,466	(18,534)
Passport Fees and Photos	12,000	18,420	6,420
Miscellaneous	300	1,343	1,043
Copier Use	7,000	6,537	(463)
Vital Statistics Copies	4,000	4,790	790
Green Mountain Passport	175	182	7
Vehicle Registration	200	297	97
Other Fees	1,300	746	(554)
Transfer from Records Preservation Fund	61,000	26,544	(34,456)
Total Administration Revenue	144,580	99,809	(44,771)
Highway Revenue:			
Received for State Aid/Grant	145,000	223,539	78,539
Bike/Pedestrian Path Grant	115,200	111,831	(3,369)
Permits	10,100	9,760	(340)
Other	0	7,113	7,113
Total Highway Revenue	270,300	352,243	81,943
Police Department Revenue:			
Judicial Fees	60,000	43,556	(16,444)
Special Duty Reimbursement	17,000	52,203	35,203
Public Safety Grants	22,500	220,786	198,286
Dispatch Contracts	257,000	257,495	495
E911 Operation Grant	90,000	38,158	(51,842)
Other	22,000	47,561	25,561
Total Police Department Revenue	468,500	659,759	191,259
Cemetery Revenue:			
Transfer from Cemetery Fund	0	0	0
Cemetery Other	6,200	6,330	130
Total Cemetery Revenue	6,200	6,330	130

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TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Planning and Zoning Revenue:			
Permits and Fees	\$ 67,300	\$ 191,779	\$ 124,479
Grant Revenue	25,000	0	(25,000)
Total Planning and Zoning Revenue	<u>92,300</u>	<u>191,779</u>	<u>99,479</u>
Water and Sewer Revenue:			
Water Department Administration	45,106	45,106	0
Sewer Department Administration	45,106	45,106	0
Total Water and Sewer Revenue	<u>90,212</u>	<u>90,212</u>	<u>0</u>
Recreation Department Revenue:			
Sale of Beach Stickers	16,075	15,351	(724)
Fees and Recreation Programs	139,592	152,350	12,758
Transfer from Recreation (Baseball) Fund	15,540	3,407	(12,133)
Transfer from Davis Park Fund	14,600	14,581	(19)
Transfer from Recreation Fund (Other)	0	430	430
Total Recreation Department Revenue	<u>185,807</u>	<u>186,119</u>	<u>312</u>
Library Revenue:	<u>0</u>	<u>4,295</u>	<u>4,295</u>
Financial Management Investment Interest:	<u>1,000</u>	<u>12,104</u>	<u>11,104</u>
Rescue Income:			
Other Rescue Income	0	6,078	6,078
Transfer from Ambulance Fund	259,919	267,092	7,173
Total Rescue Income	<u>259,919</u>	<u>273,170</u>	<u>13,251</u>
Miscellaneous Revenue:			
Loan Proceeds	0	90,000	90,000
Fire Grants, Donations and Miscellaneous	171,413	18,257	(153,156)
Miscellaneous	3,500	48,419	44,919
Payment in Lieu of Taxes	6,000	6,545	545
State Current Use Tax Payment	120,000	124,267	4,267
Act 60 Administration	46,000	47,245	1,245
Cellular Tower Fees	43,117	45,161	2,044
Transfer from Recreation Impact Fees	6,000	0	(6,000)
Mooring Fees	50,100	53,040	2,940
CSSU Village Center Lease	64,000	71,000	7,000
CSSU Building Maintenance Allocation	37,000	41,379	4,379
Use of Town Hall/Town Center	15,000	9,738	(5,262)
Pierson Library Building Lease	28,564	27,736	(828)
Total Miscellaneous Revenue	<u>590,694</u>	<u>582,787</u>	<u>(7,907)</u>
Total Revenues	<u>8,130,052</u>	<u>8,391,579</u>	<u>261,527</u>

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TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Selectboard:			
Salaries	\$ 6,300	\$ 6,254	\$ 46
FICA	482	478	4
Selectboard's Expenses	8,500	8,284	216
VLCT Dues	9,248	9,124	124
Town Reports	2,500	3,888	(1,388)
Total Selectboard	27,030	28,028	(998)
Legal Services:	60,000	255,689	(195,689)
Administration - Municipal Offices:			
Office Supplies	7,000	8,713	(1,713)
Computer Hardware	8,075	1,157	6,918
Telephone	5,000	5,386	(386)
Computer Software	14,110	12,071	2,039
Technical Assistance	10,000	7,132	2,868
Training	7,000	3,677	3,323
Office Equipment and Repair	5,000	11,839	(6,839)
Postage	19,000	11,200	7,800
Copier Expense	7,300	8,514	(1,214)
Computer Technical Assistance	12,000	17,638	(5,638)
Town Office Internet	1,740	1,738	2
Total Administration - Municipal Offices	96,225	89,065	7,160
Town Manager:			
Salaries	168,650	166,730	1,920
Benefits and Other Insurance	52,537	51,431	1,106
Manager's Expenses	7,300	7,969	(669)
Vehicle Expense	2,500	2,693	(193)
Emergency Management	1,000	823	177
Total Town Manager	231,987	229,646	2,341
Elections:			
Salaries	1,000	2,648	(1,648)
Election Expense	1,000	3,905	(2,905)
BCA Expenses	500	161	339
Total Elections	2,500	6,714	(4,214)
Finance and Insurance:			
Salaries	181,054	169,238	11,816
Benefits and Other Insurance	65,365	70,896	(5,531)
Property and Liability Insurance	300,000	299,543	457
Insurance Claims - Deductible	7,000	5,056	1,944
Auditing	14,850	48,483	(33,633)
Total Finance and Insurance	568,269	593,216	(24,947)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Clerk/Treasurer:			
Salaries	\$ 126,219	\$ 138,715	\$ (12,496)
Benefits and Other Insurance	38,918	35,058	3,860
Town Clerk/Treasurer Expense	2,000	2,660	(660)
Office Expenses	9,800	6,870	2,930
Records Automation	21,000	24,596	(3,596)
Microfilming and Preservation	40,000	1,948	38,052
Computer Software	500	586	(86)
Total Town Clerk/Treasurer	238,437	210,433	28,004
Planning and Zoning:			
Salaries	170,919	172,751	(1,832)
Benefits and Other Insurance	68,202	67,322	880
Zoning Enforcement Contractor	0		0
Planning Expense	0	6,996	(6,996)
Conference and Training	900	961	(61)
Town Plan and Special Projects	7,500	3,150	4,350
Planning Grants	39,500	2,843	36,657
Planning Assistance	5,600	5,982	(382)
GIS Software	6,800	800	6,000
Total Planning and Zoning	299,421	260,805	38,616
Assessor's Office:			
Salaries	38,785	38,785	0
Benefits and Other Insurance	15,304	11,205	4,099
Administrative Assistant	28,336	23,766	4,570
Assessor Expenses	3,500	4,595	(1,095)
Total Assessor's Office	85,925	78,351	7,574
Buildings and Grounds:			
Salaries	101,855	103,238	(1,383)
Benefits and Other Insurance	51,014	46,094	4,920
Town Center Operating Expenses	50,000	50,869	(869)
Town Parade Ground Expenses	0	474	(474)
Town Center Building Maintenance	15,000	140	14,860
Town Hall Operating Expense	2,000	1,044	956
Town Hall Building Maintenance	5,000	300	4,700
Town Hall Heating Fuel	7,000	8,032	(1,032)
Town Center Heating Fuel	22,000	17,299	4,701
Town Center Utilities	52,300	49,016	3,284
Pierson Building Utilities and Maintenance	7,000	3,597	3,403
Transfer to Highway Equipment Fund	1,000	1,000	0
Recreation Fields Maintenance	10,000	4,046	5,954
Capital Projects	10,000	40,832	(30,832)
Total Buildings and Grounds	334,169	325,981	8,188

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TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works:			
Stormwater Engineering and Planning	\$ 15,000	\$ 0	\$ 15,000
Stormwater Partnerships	8,600	7,500	1,100
Stormwater Permits	14,000	17,959	(3,959)
Stormwater Maintenance	55,000	40,785	14,215
Monroe Brook Flow Restoration Project	12,200	0	12,200
Transfer to Sewer Fund for Stormwater	11,328	10,000	1,328
Miscellaneous	1,000	582	418
Total Public Works	117,128	76,826	40,302
Harbormaster:			
Salaries	5,318	5,318	0
FICA	407	407	0
Mooring Inspection/Maintenance	11,100	11,695	(595)
Seasonal Dock Installation/Removal	6,600	5,725	875
Equipment	5,500	987	4,513
Maintenance/Administration	300	120	180
Transfer to Bay Park Fund	20,876	28,788	(7,912)
Total Harbormaster	50,101	53,040	(2,939)
Police Department:			0
Salaries	873,259	820,121	53,138
Overtime Salaries	119,080	150,529	(31,449)
Benefits and Other Insurance	379,010	355,521	23,489
Special Duty Details	17,000	38,149	(21,149)
Office Expense	10,500	10,883	(383)
Telephone	10,000	7,044	2,956
Radio Expense	10,700	3,922	6,778
Travel and Conferences	2,500	276	2,224
Photos	6,000	0	6,000
Training	10,000	3,332	6,668
Gasoline	32,500	29,158	3,342
Tires	5,100	4,320	780
Vehicle Maintenance and Repairs	18,000	6,983	11,017
General Equipment	5,000	3,841	1,159
Fingerprint Equipment and Supplies	3,831	4,055	(224)
Uniform Purchases	8,000	12,749	(4,749)
Uniform Cleaning	3,500	2,001	1,499
Computer Use and Maintenance	19,000	17,612	1,388
Other	0	19,143	(19,143)
Building Maintenance	2,000	2,024	(24)
Matching Funds for Grants	1,000	0	1,000
Capital Improvements	18,000	5,945	12,055
Transfer to Police Cruiser Fund	35,000	35,000	0
Animal Enforcement	3,100	1,720	1,380
Police/C.U.S.I	14,100	14,208	(108)
Governor's Highway Safety and Other Grants	22,500	252,424	(229,924)
Total Police Department	1,628,680	1,800,960	(172,280)

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TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department:			
Salaries	\$ 47,000	\$ 49,194	\$ (2,194)
FICA	3,596	3,498	98
Office Supplies and Phones	6,445	9,696	(3,251)
Building Heat and Service	5,000	4,128	872
Fire Prevention - Training	7,000	2,901	4,099
Radio Maintenance	4,000	3,563	437
Protective Clothing	21,900	25,493	(3,593)
Gas and Oil	5,000	2,635	2,365
Fire Fighting Supplies	5,500	5,102	398
Equipment Maintenance	24,600	20,365	4,235
Building Maintenance	8,000	12,850	(4,850)
Equipment	24,025	17,678	6,347
Grant Projects	180,435	14,900	165,535
Capital Improvements	20,000	27,452	(7,452)
Rescue Boat Expense	5,700	4,276	1,424
Periodicals	2,000	934	1,066
Physicals and Tests	4,000	290	3,710
Membership Events and Incentives	7,500	5,854	1,646
Total Fire Department	381,701	210,809	170,892
Public Safety and Dispatch:			
Dispatch Salaries	407,576	431,543	(23,967)
Overtime Salaries	50,764	85,997	(35,233)
Benefits and Other Insurance	145,073	152,205	(7,132)
Training	3,000	468	2,532
Uniforms	2,100	889	1,211
Capital Improvements	12,500	9,254	3,246
Dispatch Radio Equipment	15,000	13,843	1,157
Computer Use	16,000	7,665	8,335
Total Public Safety and Dispatch	652,013	701,864	(49,851)
Public Works - Highways:			
Salaries	280,152	278,252	1,900
Overtime Salaries	29,570	30,331	(761)
Benefits and Other Insurance	124,721	118,028	6,693
Interdepartmental Assistance	1,835	2,427	(592)
Road Maintenance	40,000	34,126	5,874
Tree Removal	5,100	6,425	(1,325)
Drainage System Maintenance	15,000	11,951	3,049
Construction Projects	45,000	31,925	13,075
Retreatment and Repaving	335,000	411,954	(76,954)
Sidewalk Maintenance	2,000	0	2,000
Route 7 Sidewalk Project	128,000	131,619	(3,619)
Line Striping, Crosswalks & Traffic Safety	16,500	13,298	3,202
Engineering Services	3,000	487	2,513
Street Signs	5,000	3,311	1,689
Winter Sand	5,000	5,528	(528)
Winter Salt	95,000	105,997	(10,997)
Garage Heating Fuel	7,300	6,217	1,083
Garage Utilities	14,000	12,220	1,780
Uniforms	4,600	4,388	212
Gas and Diesel	25,000	26,620	(1,620)
Equipment Repair and Maintenance	50,000	46,169	3,831

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TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works - Highways (Cont.):			
Street and Caution Lights	\$ 10,000	\$ 10,243	\$ (243)
Garage Supplies	5,000	9,948	(4,948)
Building Maintenance	5,000	282	4,718
Highway Equipment Fund Transfer	80,000	80,000	0
Street Lights Upgrade	20,000	0	20,000
Total Public Works - Highways	1,351,778	1,381,746	(29,968)
Health and Social Services:			
Health Officer Salary and FICA	939	0	939
United Way Donation	38,000	35,246	2,754
Transfer to Other (Community Fund)	2,000	2,000	0
Health Officer Expenses	450	0	450
Total Health and Social Services	41,389	37,246	4,143
Rescue:			
Volunteer Compensation	16,500	17,285	(785)
Volunteer Incentive Compensation	30,000	29,474	526
Compensation - Full Part-Time	80,000	112,496	(32,496)
Rescue Overtime	849	3,829	(2,980)
Benefits and Other Insurance	29,370	23,528	5,842
Medical Supplies	24,000	15,453	8,547
Uniforms	1,700	1,365	335
Operating	18,000	23,696	(5,696)
Transport Billing Expense	19,000	26,627	(7,627)
Oxygen	5,000	4,716	284
Training	2,200	5,767	(3,567)
Office Supplies	2,500	1,973	527
Communications	4,000	4,124	(124)
Vehicle	12,000	9,681	2,319
Building Heating Fuel	2,300	2,002	298
Building Utilities	6,400	5,308	1,092
Building Maintenance	5,500	3,304	2,196
Immunizations	100	0	100
Public Education	500	0	500
Total Rescue	259,919	290,628	(30,709)
Cemeteries:			
Salaries	30,301	32,132	(1,831)
Benefits and Other Insurance	2,685	2,795	(110)
Supplies and Tools	1,000	627	373
Committee Expenses	100	45	55
Gas Expense	1,000	952	48
Equipment Maintenance	800	322	478
Equipment Purchases	500	364	136
Capital Projects	5,000	2,541	2,459
Transfer to Other (Cemetery Tractor Fund)	1,600	1,600	0
Outside Services	3,000	15,805	(12,805)
Interments	4,000	4,400	(400)
Cremation Garden	1,100	966	134
Total Cemeteries	51,086	62,549	(11,463)

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TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Recreation:			
Administrative Salaries	\$ 95,182	\$ 95,437	\$ (255)
Benefits and Other Insurance	43,458	49,377	(5,919)
Administration Expenses	8,939	10,443	(1,504)
Public Information	7,413	7,044	369
Beach Salaries	18,755	20,762	(2,007)
Beach Equipment	1,875	1,517	358
Beach Utilities	2,395	1,993	402
Other	150	0	150
Dog Obedience	2,500	30	2,470
Davis Park	17,910	19,311	(1,401)
Park Maintenance	7,525	3,032	4,493
Martial Arts	1,120	1,260	(140)
Beach Maintenance	5,200	3,340	1,860
Lacrosse Programs	9,210	6,372	2,838
Youth Basketball	3,210	1,915	1,295
Babe Ruth Baseball	4,175	1,105	3,070
Summer Soccer Camp	12,575	13,502	(927)
Softball	4,233	2,220	2,013
Youth Soccer	10,465	9,937	528
Little League Baseball	27,980	26,460	1,520
Recreation Programs - Non-League	30,457	29,375	1,082
Special Events and Concerts	12,000	11,307	693
Ski Program	7,650	8,303	(653)
Total Recreation	334,377	324,042	10,335
Library:			
Salaries	216,364	230,781	(14,417)
Benefits and Other Insurance	84,778	85,842	(1,064)
Supplies	5,700	2,629	3,071
Materials	45,000	39,679	5,321
Public Information	500	136	364
Building Maintenance	13,500	13,718	(218)
Utilities	17,300	20,649	(3,349)
Equipment Purchase and Maintenance	2,150	1,084	1,066
Administrative	2,000	1,497	503
Programs	5,000	3,855	1,145
Computer Hardware and Software	8,800	4,026	4,774
Total Library	401,092	403,896	(2,804)
Debt Management:			
Fire Truck 2010 Note	44,339	43,707	632
Town Center Project	216,740	216,740	0
2017 Capital Project Loan	50,525	1,501	49,024
Recreation Fields Project	98,009	98,009	0
Recreation Bike Path Bond Issue 2008	25,306	25,306	0
Recreation Path Harbor Road Bond 2008 Issue 2012	28,515	28,515	0
Recreation Path Bond 2008 Issue 2010	27,581	28,006	(425)
Beach Sea Wall Bond 2009 Issue 2010	16,316	16,390	(74)
Beaver Creek Bond 2009 Issue 2010	45,294	45,297	(3)
2017 Quint Fire Truck	20,000	21,817	(1,817)
Total Debt Management	572,625	525,288	47,337

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TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Intergovernmental:			
County Tax	\$ 75,305	\$ 72,959	\$ 2,346
Greater Burlington Industrial Development Corp	1,200	1,200	0
Chittenden County Regional Planning	18,756	18,756	0
Chittenden County Transit Authority	98,739	98,740	(1)
Total Intergovernmental	194,000	191,655	2,345
Employee Benefits:			
HRA Expenses	79,000	71,568	7,432
Health Insurance/Flex Spending Administration Expense	21,500	8,569	12,931
Other	1,700	2,412	(712)
Total Employee Benefits	102,200	82,549	19,651
Miscellaneous:			
Selectboard Discretionary	5,000	1,465	3,535
Community Events	1,500	1,451	49
Tree Conservation	10,000	3,522	6,478
Committee Support	1,500	0	1,500
Miscellaneous Expense	0	3,188	(3,188)
Total Miscellaneous	18,000	9,626	8,374
Community Improvement Transfer to Open Space Fund:	30,000	30,000	0
Total Expenditures	8,130,052	8,260,652	(130,600)
Excess of Revenues			
Over Expenditures	\$ 0	130,927	\$ 130,927
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Ambulance Fund Revenues		323,426	
Ambulance Fund Transfer		(267,092)	
Net Change in Fund Balance		187,261	
Fund Balance - July 1, 2017		1,078,078	
Fund Balance - June 30, 2018		\$ 1,265,339	

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TOWN OF SHELBURNE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2018

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

Notes to the Schedule:

Benefit Changes: none

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2017 valuation date:

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 1.80% to 1.3% for Groups B and C members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

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

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

TOWN OF SHELBURNE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2018

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

Notes to the Schedule:

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

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

TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 102,395	\$ 102,395
Investments	143,936	0	302,847	446,783
Due from Other Funds	<u>392,612</u>	<u>851,923</u>	<u>71,954</u>	<u>1,316,489</u>
Total Assets	<u>\$ 536,548</u>	<u>\$ 851,923</u>	<u>\$ 477,196</u>	<u>\$ 1,865,667</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,606	\$ 55,117	\$ 0	\$ 56,723
Due to Other Funds	0	14,342	15,971	30,313
Bond Anticipation Note Payable	<u>0</u>	<u>415,000</u>	<u>0</u>	<u>415,000</u>
Total Liabilities	<u>1,606</u>	<u>484,459</u>	<u>15,971</u>	<u>502,036</u>
<u>FUND BALANCES</u>				
Restricted	312,147	528,373	461,225	1,301,745
Committed	10,927	245,271	0	256,198
Assigned	211,868	23,128	0	234,996
Unassigned/(Deficit)	<u>0</u>	<u>(429,308)</u>	<u>0</u>	<u>(429,308)</u>
Total Fund Balances	<u>534,942</u>	<u>367,464</u>	<u>461,225</u>	<u>1,363,631</u>
Total Liabilities and Fund Balances	<u>\$ 536,548</u>	<u>\$ 851,923</u>	<u>\$ 477,196</u>	<u>\$ 1,865,667</u>

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TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 28,196	\$ 130	\$ 0	\$ 28,326
Charges for Services	26,090	0	0	26,090
Investment Income	680	0	33,930	34,610
Fees and Licenses	66,478	0	0	66,478
Contributions	53,965	352,769	19,263	425,997
Other Revenue	0	52,724	0	52,724
	<u>175,409</u>	<u>405,623</u>	<u>53,193</u>	<u>634,225</u>
Total Revenues				
Expenditures:				
General Government	135	0	0	135
Highway and Public Works	0	400	0	400
Public Safety	0	338	0	338
Recreation and Parks	48,750	0	0	48,750
Library	0	27,878	33,228	61,106
Capital Outlay:				
Public Safety	0	1,034,621	0	1,034,621
Highways and Public Works	0	98,514	0	98,514
Recreation and Parks	0	32,144	0	32,144
Library	0	459,206	0	459,206
Debt Service:				
Principal	0	97,000	0	97,000
Interest	0	2,226	0	2,226
	<u>48,885</u>	<u>1,752,327</u>	<u>33,228</u>	<u>1,834,440</u>
Total Expenditures				
Excess/(Deficiency) of Revenues Over Expenditures	<u>126,524</u>	<u>(1,346,704)</u>	<u>19,965</u>	<u>(1,200,215)</u>
Other Financing Sources/(Uses):				
Proceeds from Long-Term Debt	0	1,080,000	0	1,080,000
Transfers In	3,600	174,788	0	178,388
Transfers Out	(30,381)	0	(14,581)	(44,962)
	<u>(26,781)</u>	<u>1,254,788</u>	<u>(14,581)</u>	<u>1,213,426</u>
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	99,743	(91,916)	5,384	13,211
Fund Balances - July 1, 2017	<u>435,199</u>	<u>459,380</u>	<u>455,841</u>	<u>1,350,420</u>
Fund Balances - June 30, 2018	<u>\$ 534,942</u>	<u>\$ 367,464</u>	<u>\$ 461,225</u>	<u>\$ 1,363,631</u>

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TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
<u>ASSETS</u>					
Investments	\$ 143,936	\$ 0	\$ 0	\$ 0	\$ 143,936
Due from Other Funds	<u>19,526</u>	<u>211,868</u>	<u>112,574</u>	<u>48,644</u>	<u>392,612</u>
Total Assets	<u>\$ 163,462</u>	<u>\$ 211,868</u>	<u>\$ 112,574</u>	<u>\$ 48,644</u>	<u>\$ 536,548</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,081	\$ 0	\$ 0	\$ 525	\$ 1,606
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>1,081</u>	<u>0</u>	<u>0</u>	<u>525</u>	<u>1,606</u>
<u>FUND BALANCES</u>					
Restricted	162,381	0	112,574	37,192	312,147
Committed	0	0	0	10,927	10,927
Assigned	<u>0</u>	<u>211,868</u>	<u>0</u>	<u>0</u>	<u>211,868</u>
Total Fund Balances	<u>162,381</u>	<u>211,868</u>	<u>112,574</u>	<u>48,119</u>	<u>534,942</u>
Total Liabilities and Fund Balances	<u>\$ 163,462</u>	<u>\$ 211,868</u>	<u>\$ 112,574</u>	<u>\$ 48,644</u>	<u>\$ 536,548</u>

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TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Recreation Related Funds	ACT 60 Reappraisal Fund	Record Preservation Fund	Special Revenue Miscellaneous Fund	Total
Revenues:					
Intergovernmental	\$ 0	\$ 28,196	\$ 0	\$ 0	\$ 28,196
Investment Income	680	0	0	0	680
Fees and licenses	47,214	0	19,264	0	66,478
Charges for Services	26,090	0	0	0	26,090
Contributions	48,232	0	0	5,733	53,965
Total Revenues	<u>122,216</u>	<u>28,196</u>	<u>19,264</u>	<u>5,733</u>	<u>175,409</u>
Expenditures:					
General Government	0	135	0	0	135
Recreation and Parks	44,308	0	0	4,442	48,750
Total Expenditures	<u>44,308</u>	<u>135</u>	<u>0</u>	<u>4,442</u>	<u>48,885</u>
Excess of Revenues Over Expenditures	<u>77,908</u>	<u>28,061</u>	<u>19,264</u>	<u>1,291</u>	<u>126,524</u>
Other Financing Sources/(Uses):					
Transfers In	0	0	0	3,600	3,600
Transfers Out	(3,837)	0	(26,544)	0	(30,381)
Total Other Financing Sources/(Uses)	<u>(3,837)</u>	<u>0</u>	<u>(26,544)</u>	<u>3,600</u>	<u>(26,781)</u>
Net Change in Fund Balances	74,071	28,061	(7,280)	4,891	99,743
Fund Balances - July 1, 2017	<u>88,310</u>	<u>183,807</u>	<u>119,854</u>	<u>43,228</u>	<u>435,199</u>
Fund Balances - June 30, 2018	<u>\$ 162,381</u>	<u>\$ 211,868</u>	<u>\$ 112,574</u>	<u>\$ 48,119</u>	<u>\$ 534,942</u>

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TOWN OF SHELBURNE, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt,Sand Shed Fund	Open Land Trust Fund	Police Fund	Fire Truck Fund	Library Bond Fund	Total
<u>ASSETS</u>										
Due from Other Funds	\$ 49,166	\$ 0	\$ 216,004	\$ 215,086	\$ 23,128	\$ 171,155	\$ 125,028	\$ 8,960	\$ 43,396	\$ 851,923
Total Assets	<u>\$ 49,166</u>	<u>\$ 0</u>	<u>\$ 216,004</u>	<u>\$ 215,086</u>	<u>\$ 23,128</u>	<u>\$ 171,155</u>	<u>\$ 125,028</u>	<u>\$ 8,960</u>	<u>\$ 43,396</u>	<u>\$ 851,923</u>
<u>LIABILITIES</u>										
Accounts Payable	\$	\$ 854	\$ 0	\$ 11,755	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,508	\$ 55,117
Due to Other Funds		14,342	0	0	0	0	0	0	0	14,342
Bond Anticipation Note Payable	0	0	0	0	0	0	0	0	415,000	415,000
Total Liabilities	<u>0</u>	<u>15,196</u>	<u>0</u>	<u>11,755</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>457,508</u>	<u>484,459</u>
<u>FUND BALANCES</u>										
Restricted	0	0	216,004	203,331	0	0	100,078	8,960	0	528,373
Committed	49,166	0	0	0	0	171,155	24,950	0	0	245,271
Assigned	0	0	0	0	23,128	0	0	0	0	23,128
Unassigned/(Deficit)	<u>0</u>	<u>(15,196)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(414,112)</u>	<u>(429,308)</u>
Total Fund Balances/(Deficit)	<u>49,166</u>	<u>(15,196)</u>	<u>216,004</u>	<u>203,331</u>	<u>23,128</u>	<u>171,155</u>	<u>125,028</u>	<u>8,960</u>	<u>(414,112)</u>	<u>367,464</u>
Total Liabilities and Fund Balances	<u>\$ 49,166</u>	<u>\$ 0</u>	<u>\$ 216,004</u>	<u>\$ 215,086</u>	<u>\$ 23,128</u>	<u>\$ 171,155</u>	<u>\$ 125,028</u>	<u>\$ 8,960</u>	<u>\$ 43,396</u>	<u>\$ 851,923</u>

TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Open Land Trust Fund	Police Fund	Fire Truck Fund	Library Bond Fund	Total
Revenues:										
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130	\$ 0	\$ 0	\$ 130
Contributions	0	0	279,757	0	0	0	73,012	0	0	352,769
Other	0	0	0	2,178	0	0	10,034	40,512	0	52,724
Total Revenues	0	0	279,757	2,178	0	0	83,176	40,512	0	405,623
Expenditures:										
Highway and Public Works	0	0	0	400	0	0	0	0	0	400
Public Safety	0	0	0	0	0	0	0	338	0	338
Library	0	0	27,878	0	0	0	0	0	0	27,878
Capital Outlay:										
Highways and Public Works	0	7,297	0	91,217	0	0	0	0	0	98,514
Library	0	0	45,094	0	0	0	0	0	414,112	459,206
Public Safety	0	0	0	2,022	0	0	64,676	967,923	0	1,034,621
Recreation and Parks	32,144	0	0	0	0	0	0	0	0	32,144
Debt Service - Principal	0	0	0	97,000	0	0	0	0	0	97,000
Debt Service - Interest	0	0	0	2,226	0	0	0	0	0	2,226
Total Expenditures	32,144	7,297	72,972	192,865	0	0	64,676	968,261	414,112	1,752,327
Excess/(Deficiency) of Revenue Over Expenditures	(32,144)	(7,297)	206,785	(190,687)	0	0	18,500	(927,749)	(414,112)	(1,346,704)
Other Financing Sources:										
Loan Proceeds	0	0	0	110,000	0	0	0	970,000	0	1,080,000
Transfers In	28,788	0	0	81,000	0	30,000	35,000	0	0	174,788
Total Other Financing Sources	28,788	0	0	191,000	0	30,000	35,000	970,000	0	1,254,788
Net Change in Fund Balance	(3,356)	(7,297)	206,785	313	0	30,000	53,500	42,251	(414,112)	(91,916)
Fund Balance/(Deficit) - July 1, 2017	52,522	(7,899)	9,219	203,018	23,128	141,155	71,528	(33,291)	0	459,380
Fund Balance/(Deficit) - June 30, 2018	\$ 49,166	\$ (15,196)	\$ 216,004	\$ 203,331	\$ 23,128	\$ 171,155	\$ 125,028	\$ 8,960	\$ (414,112)	\$ 367,464

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TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2018

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<u>ASSETS</u>				
Cash	\$ 102,395	\$ 0	\$ 0	\$ 102,395
Investments	0	198,211	104,636	302,847
Due from Other Funds	51	71,903	0	71,954
Total Assets	\$ 102,446	\$ 270,114	\$ 104,636	\$ 477,196
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ 0	\$ 0	\$ 15,971	\$ 15,971
Total Liabilities	0	0	15,971	15,971
Fund Balances:				
Restricted	102,446	270,114	88,665	461,225
Total Fund Balances	102,446	270,114	88,665	461,225
Total Liabilities and Fund Balances	\$ 102,446	\$ 270,114	\$ 104,636	\$ 477,196

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TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
Revenues:				
Contributions	\$ 19,263	\$ 0	\$ 0	\$ 19,263
Investment Income	<u>63</u>	<u>18,626</u>	<u>15,241</u>	<u>33,930</u>
Total Revenues	<u>19,326</u>	<u>18,626</u>	<u>15,241</u>	<u>53,193</u>
Expenditures:				
Library	<u>33,228</u>	<u>0</u>	<u>0</u>	<u>33,228</u>
Total Expenditures	<u>33,228</u>	<u>0</u>	<u>0</u>	<u>33,228</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>(13,902)</u>	<u>18,626</u>	<u>15,241</u>	<u>19,965</u>
Other Financing Sources/(Uses):				
Transfers Out	<u>0</u>	<u>0</u>	<u>(14,581)</u>	<u>(14,581)</u>
Total Other Financing Sources/(Uses)	<u>0</u>	<u>0</u>	<u>(14,581)</u>	<u>(14,581)</u>
Net Change in Fund Balances	(13,902)	18,626	660	5,384
Fund Balances - July 1, 2017	<u>116,348</u>	<u>251,488</u>	<u>88,005</u>	<u>455,841</u>
Fund Balances - June 30, 2018	<u>\$ 102,446</u>	<u>\$ 270,114</u>	<u>\$ 88,665</u>	<u>\$ 461,225</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 SCHEDULE OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)
 WATER FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and Transfers:			
Water Sales	\$ 1,032,769	\$ 1,064,806	\$ 32,037
Cut-Ins	9,000	28,412	19,412
Hydrant Maintenance Fees	10,700	7,025	(3,675)
Penalties and Interest	7,400	7,197	(203)
Interest Income	500	4,759	4,259
Tank Space Rent	64,700	64,700	0
Turn On/Off and Final Bill Charges	4,400	4,050	(350)
Transfer from Sewer Fund (Meter Reading Services)	16,399	16,400	1
Charges for Materials, Services and Miscellaneous	1,800	8,185	6,385
Total Revenues and Transfers	1,147,668	1,205,534	57,866
Expenses and Transfers:			
Water Purchases	366,433	363,859	2,574
State Water Quality Fee	8,725	6,365	2,360
Engineering	6,000	6,788	(788)
Contractors and Equipment Rental	85,000	98,891	(13,891)
Pump Station	4,000	4,453	(453)
Tank and Line Maintenance	90,170	91,168	(998)
Hydrant Replacement and Maintenance	5,000	921	4,079
Materials	5,000	10,752	(5,752)
Meter Purchases and Replacement	8,000	17,885	(9,885)
Equipment and Large Tools	2,000	1,526	474
Miscellaneous	3,000	4,287	(1,287)
Valve Replacement and Maintenance	6,000	6,274	(274)
Building Maintenance	1,000	65	935
Small Tools	1,000	522	478
Postage	2,800	1,418	1,382
Accounting and Auditing	2,402	2,402	0
Legal Services	5,000	3,967	1,033
Office Supplies	2,000	3,162	(1,162)
Computer Services	4,500	1,726	2,774
Telephones and Pagers	2,900	2,755	145
Uniforms	2,260	2,067	193
Retirement	10,326	11,019	(693)
Health Insurance and Other Benefits	62,142	47,017	15,125
FICA	15,121	16,040	(919)
Training	2,000	373	1,627
Wages - Regular and On Call	176,899	183,718	(6,819)
Wages - Overtime	20,767	15,783	4,984
Outside Labor	800		800
Vehicle Gas and Oil	5,500	4,952	548
Vehicle Repair and Maintenance	2,000	637	1,363
Insurance - General	18,000	18,000	0
Debt Service	175,817	119,961	55,856
Transfer to General Fund (Administrative Services)	45,106	45,106	0
Total Expenses and Transfers	1,147,668	1,093,859	53,809
Net Income/(Loss)	\$ 0	111,675	\$ 111,675
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation Expense		(102,773)	
Accrued Vacation Pay		(5,548)	
Debt Accrued Interest		1,316	
Capital Projects		2,504	
GASB 68 Pension Adjustment		(3,760)	
Debt Principal		85,000	
Change in Net Position - Exhibit G		\$ 88,414	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 SCHEDULE OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)
 SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and Transfers:			
User Fees	\$ 1,813,170	\$ 1,842,664	\$ 29,494
Miscellaneous	800	4,757	3,957
Transfer from General Fund (Stormwater Admin.)	10,000	10,000	0
Transfer from Sewer Capacity Fund	5,000	5,000	0
Interest and Penalties	20,000	16,047	(3,953)
Outside Septage	53,000	85,467	32,467
Total Revenues and Transfers	1,901,970	1,963,935	61,965
Expenses and Transfers:			
Transfer to General Fund (Administrative Services)	45,106	45,106	0
Transfer to Water Fund (Meter Reading Services)	16,400	16,400	0
Chemicals	49,500	61,196	(11,696)
Electricity	179,070	194,046	(14,976)
Property Insurance	49,400	65,254	(15,854)
Lab Testing and Equipment	23,500	23,821	(321)
Miscellaneous Expense	3,500	2,702	798
Plant Maintenance	110,500	82,549	27,951
Professional Services (Legal, Accounting, Engineering)	53,400	77,033	(23,633)
Permits	3,300	3,200	100
Debt Service	608,180	704,813	(96,633)
Adjustment for FY 2017 Debt Interest Accrual	0	(15,796)	15,796
SCADA System Maintenance	5,000	2,290	2,710
Heating Fuel, Communication & Utilities	31,400	36,215	(4,815)
Safety Equipment	2,200	2,225	(25)
Sludge Disposal	70,000	86,059	(16,059)
Collection System Maintenance	60,000	51,583	8,417
Collection System Capital Improvements	60,000	23,785	36,215
Transfer to Capital Improvement Fund	50,000	50,000	0
Training and Travel	3,500	1,214	2,286
Truck Expense	11,000	5,709	5,291
Office Expense	6,000	6,308	(308)
Wages - Regular	303,708	304,805	(1,097)
Wages - Overtime	32,227	29,782	2,445
Retirement	18,193	18,060	133
FICA	25,698	26,345	(647)
Health Insurance and Other Benefits	81,188	75,623	5,565
Total Expenses and Transfers	1,901,970	1,980,327	(78,357)
Net Income/(Loss)	\$ 0	(16,392)	\$ (16,392)
Adjustments to Reconcile to GAAP Basis Statements:			
Transfer from Sewer Capital Fund		(5,000)	
Transfer to Capital Improvement Fund		50,000	
Vacation Accrual		1,228	
Depreciation Expense		(435,361)	
Capital Fund Capacity Fees		29,568	
Capital Fund Interest Income		2,664	
Capital Fund Other Income		4,015	
Capital Projects		48,201	
Debt Accrued Interest		(194)	
Debt Principal		688,384	
GASB 68 Pension Adjustment		(1,400)	
Change in Net Position - Exhibit G		\$ 365,713	

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

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Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Shelburne, Vermont's basic financial statements, and have issued our report thereon dated February 14, 2019.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Shelburne, Vermont's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Deficiencies in Internal Control as Items 2018-1 and 2018-2 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described the accompanying Schedule of Deficiencies in Internal Control as Items 2018-3 and 2018-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Shelburne, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

We have also noted certain other matters that we reported to the management of the Town of Shelburne, Vermont in a separate letter dated February 14, 2019.

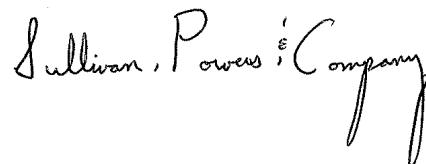
Town of Shelburne, Vermont's Responses to the Deficiencies in Internal Control

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

Purpose of this Report

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

February 14, 2019
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2018

Deficiencies in Internal Control:

Material Weaknesses:

2018-1 Segregation of Duties – Reconciliation of Bank Accounts

Criteria:

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common divisions of duties is the division between the check signing and bank reconciliation functions. Also, the bank reconciliations should be done on a timely basis to detect errors and irregularities quickly enough to act.

Condition:

In the Town, two individuals reconcile the various bank accounts. These individuals also have other duties such as collecting cash, posting to the journals and making deposits. One individual has check signing authority and the other can make electronic transfers from the account. No one reviews their bank reconciliations. Further, the Town's main operating account was not reconciled on a timely basis for much of the year.

Cause:

Unknown.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

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

Management Response:

The Treasurer reconciles small checking accounts & Certificates of Deposit and posts this activity to the general ledger. The Finance Director reconciles the Town's primary Checking account and posts adjusting entries, if needed as part of this reconciliation, which is provided to the Treasurer. We will develop a procedure where the Finance Director's and Town Treasurer's monthly reconciliations are reviewed by another person, preferably in a different department.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2018

2018-2 Transfer of Funds

Criteria:

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

Condition:

Transfers can be made electronically from the Town's checking account by the same individual who reconciles the account and posts transactions. The bank requires two individuals to authorize the transaction but the individual making the transfer has access to the second authorizer's code and thus can override this control. Most transfers have documentation showing their purpose and are approved by the second person. But there still exists instances where the transfer is done by the same person using the second person's code.

Cause:

Unknown.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that all electronic transfers be documented as to purpose, account and amount and approved by someone other than the transferor. This documentation should be kept with the bank reconciliation so that the individual reviewing the reconciliation can see that all transfers were approved. In the rare instance where the same person initiates and releases the transfer, the second person should document their approval of the transfer after the fact.

Management Response:

Electronic transfers of funds require two individuals—one to enter the transaction and a second person to process the transaction, releasing the funds. In rare cases where a second person is not available, the transfer is completed by one person using a separate transaction token and username that is kept in the Town vault. In these cases, documentation of the transfer is provided to the Treasurer who initials it. In all cases, both the person entering the transaction and the person releasing the funds write their initials on the bank ACH Batch List report documenting their role. Documentation of electronic transfers for payables will be kept in the monthly reconciliation folders in the Treasurer's office. Documentation of payroll electronic transfers will be kept in the weekly payroll binder in the Town Clerks office. All electronic payments are listed on the payroll and payables Check Warrant reports, which are reviewed and signed by a Selectboard member.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2018

Significant Deficiencies:

2018-3 Review and Approval of Journal Entries

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

Other internal control policies could be circumvented.

Recommendation:

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

Management Response:

Journal entries prepared by the Finance Director are kept in a binder for anyone to review. These will be reviewed and acknowledged by the Treasurer or Town Manager. The Treasurer also prepares Journal entries as part of the monthly bank account reconciliation. These entries will be reviewed and acknowledged by the Town Manager or Finance Director.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2018

2018-4 Timely Reconciliation of Balance Sheet Accounts

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

Management Response:

Reconciliation of balance sheet accounts this past year was delayed due to workload requirements and staffing constraints. We will work to ensure this is done on a more timely basis with the goal of completing the reconciliations within 30 days after month end.