

To: Selectboard

From: Peter Frankenburg

Date: 04-Mar-16

Re: FY 2014-15 Audit

We have enclosed the FY 2014-15 audit report received from our auditors, Sullivan Powers & Company for the fiscal year ending June 30, 2015. Richard Brigham will be attending the March 8th Selectboard meeting to discuss the audit. Please bring your copy of the report to that meeting.

As mentioned in previous meetings, Sullivan Powers provides a more detailed report and thorough review of our financial practices than previous Auditors we have used. In addition to preparing the financial statements, they highlight deficiencies and make a number of recommendations about improving our financial procedures and internal controls .

The following is a summary of the main sections of the Audit Report:

MANAGEMENT'S DISCUSSION AND ANALYSIS (pg. 4-12) Similar to annual reports in the private sector, this is a narrative discussion of the town's overall financial status. The analysis considers two perspectives:

- First, from the perspective of the "town as a whole" with all funds (i.e. Town, Water, Sewer, etc.) grouped together. The town general, special revenue and capital projects funds are included in one category called "**Governmental Activities**". The Water and Sewer Funds are grouped together in the "**Proprietary**" or "**Business-type Activities**" category.
- The second perspective looks at the funds on an individual basis, and includes financial statements for each fund.

STATEMENT OF NET POSITION (pg. 13-14) These statements provide information about the financial position of the town as a whole, grouped into the categories of Governmental Activities (general, capital projects and special revenue funds) and Business-Type Activities (water and sewer funds)

The Statement of Net Position (page 13) is a balance sheet showing assets and liabilities for all the Governmental funds and for the Business-type activities combined. Note that the category we refer to as "Fund Balance" is stated as "Net Position" and classified as Restricted and Unrestricted. This statement is prepared on a "full accrual" basis, which includes the value of capital assets and accumulated depreciation.

The Statement of Activities (page 14) shows expenses and associated revenues for major programs/functions within the Town, Water and Sewer funds. The purpose is to show the portion of expenses paid by property taxes, water/sewer user fees and other sources such as

grants and charges for services. This statement is prepared on a “full accrual” basis (including depreciation), consistent with the statement of net position.

GOVERNMENTAL FUNDS BALANCE SHEET (Page 15, Exhibit C) This statement shows assets and liabilities for all the *governmental* funds (excluding water and sewer funds). The General Fund refers to the town budget. The “Non-major Funds” group includes all special funds, such as the highway equipment replacement fund, ambulance fund, open space fund etc. A list of all the funds in the “non-major” category can be found on pages 65-72. Note that these special funds are accounted for separately from the General Fund/Town budget.

This statement is prepared on a modified accrual basis, which does not include capital assets or depreciation. Therefore, the Asset & Liability balances are different from the Statement of Net Position on page 13. Page 15 contains a schedule that lists/reconciles the differences.

Fund balances are shown at the bottom of page 15. The General Fund unassigned fund balance as of June 30, 2015 was \$547,503. The other categories Fund Balance (Restricted, Committed and Assigned) are designated for certain uses, such as grant funded projects.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (page 16). This is a summary income statement for the General Fund and Non-Major funds. This is prepared on a “modified accrual” basis, which is different from the Statement of Activities shown on page 14. Page 17 contains a schedule that lists/reconciles these differences.

Pages 53-62 contain the traditional budget vs. actual comparisons for each town department and line item (excluding water/sewer). These include categories shown on the budget status reports we provide throughout the year. Some categories such as Capital expenditures and transfers to/from are reported in a separate section on page 62.

STATEMENT OF NET POSITION: PROPRIETARY FUNDS: (page 18) This is a balance sheet for the Water and Sewer Funds. Unrestricted net assets (Fund balances) are shown at the bottom of the page. Both the Water and Sewer funds have positive fund balances indicating they are good financial condition

NOTES:

Note I, Pages 38-40 , contains a list of outstanding debt

SCHEDULE OF REVENUES & EXPENSES: WATER AND SEWER FUNDS (pages 73-74): These schedules contain the traditional budget vs. actual comparisons for the water and sewer operating budgets that are used for rate-setting purposes.

PENSION LIABILITY (page 46-51)

A new audit requirement (GASB 68) effective this year requires that certain information be provided about the funding level of the Town’s defined benefit retirement plan. The Town participates in the Vermont Municipal Employees Retirement Program (“VMERS”), which is operated by the State of Vermont Treasurers office and manages the defined benefit retirement accounts for Town of Shelburne employees who participate in the plan. GASB 68 requires

information to be shown about the plan and its actuarial funding level. VMERS was not fully funded in this audit period and had a net liability, which was allocated on a pro-rata basis among the participating municipalities in the plan. Shelburne's share of this was \$192,548. The net pension liability is taken into account when VMERS establishes employer and employee contributions to the plan each year. Therefore, Shelburne's allocation of \$192,548 is a snapshot at one point in time and will be used to compare our theoretical share of the plan's funding liability in future audits. The net pension liability only appears on the Government-wide financial statements on page 13.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (Pages 75-79)

The Auditors include a report of deficiencies and recommendations for improved internal controls, policies and procedures. Material Weaknesses are identified, and we have provided our response to these findings. Additional findings and recommendations are included in this section.

TOWN OF SHELBURNE, VERMONT

AUDIT REPORT

JUNE 30, 2015

TOWN OF SHELBURNE, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2015

		<u>Page #</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:		
Statement of Net Position	Exhibit A	13
Statement of Activities	Exhibit B	14
Governmental Funds:		
Balance Sheet	Exhibit C	15
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E	17
Proprietary Funds:		
Statement of Fund Net Position	Exhibit F	18
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G	19
Statement of Cash Flows	Exhibit H	20
Notes to the Financial Statements		21-52
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1	53-62

TOWN OF SHELBURNE, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2015

		<u>Page #</u>
Schedule of Proportionate Share of the Net Pension Liability	Schedule 2	63
Schedule of Contributions	Schedule 3	64
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4	65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5	66
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6	67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7	68
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8	69
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9	70
Combining Balance Sheet - Non-Major Permanent Funds	Schedule 10	71
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Permanent Funds	Schedule 11	72
Schedule of Revenues and Expenses – Budget and Actual (Non GAAP Budgetary Basis) - Water Fund	Schedule 12	73
Schedule of Revenues and Expenses - Budget and Actual (Non GAAP Budgetary Basis) - Sewer Fund	Schedule 13	74

TOWN OF SHELBURNE, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2015

	<u>Page #</u>
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"	75-76
Schedule of Deficiencies in Internal Control	77-79

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

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of and for the year ended June 30, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note I.F. to the financial statements, effective June 30, 2015, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" – an amendment of GASB Statement No. 27. As a result of this required change in accounting principle, the Town recorded a \$142,599 reduction in beginning net position of the Governmental Activities, a \$17,720 reduction in beginning net position of the Business-type Activities, a \$4,656 reduction in beginning net position of the Water Fund and a \$13,104 reduction in beginning net position of the Sewer Fund. Our opinion is not modified with respect to this matter.

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 information 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.

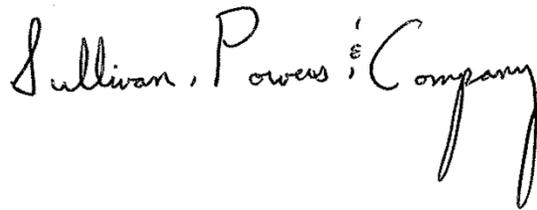
Other Information

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 5, 2016 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 5, 2016
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, 2015

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, 2015. This report should be read in conjunction with the Town's financial statements.

Financial Highlights

- The Town's net position increased by \$9,515 as a result of this year's operations. Net position of our business-type activities increased by \$238,991 and net position of our governmental activities decreased by \$229,476.
- In the Town's business-type activities, charges for services and capital contributions were \$2,757,264 while expenses were \$2,596,663. Net position at June 30, 2015 totaled \$9,902,950.
- The cost of all of the Town's programs was \$10,317,770 this year, with no new programs added.
- The General Fund reported a surplus on the budgetary basis this year of \$32,515 which was \$92,515 better than budgeted.
- The unassigned fund balance in the General Fund at June 30, 2015 was \$547,503. This amount is available for future year budgets.
- The Non-major Funds reported a surplus of \$47,210 this year which increased the cumulative surplus to \$1,481,822.

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.

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, deferred outflows of resources, 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.

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, to assess the overall health of the Town.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

In the Statement of Net Position and the Statement of Activities, we divide 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 activities are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements begin on page 15 and 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits C and E that are included in the financial statements.
- 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, 2015
(Continued)

The Town as a Whole

The Town's combined net position increased by \$9,515 from 2014, increasing from a balance of \$21,321,836 to \$21,331,351. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Due to changes in classification and the impact of the new pension accounting standards (GASB 68), the Net Position table is not being shown comparative this year. Next year this table will be comparative.

	Table 1		
	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 3,339,882	\$ 1,422,249	\$ 4,762,131
Capital Assets	13,339,043	14,696,457	28,035,500
Total Assets	<u>16,678,925</u>	<u>16,118,706</u>	<u>32,797,631</u>
Deferred Outflows of Resources	<u>85,393</u>	<u>12,396</u>	<u>97,789</u>
Current Liabilities	1,096,722	796,958	1,893,680
Long-term Liabilities	3,995,620	5,409,916	9,405,536
Total Liabilities	<u>5,092,342</u>	<u>6,206,874</u>	<u>11,299,216</u>
Deferred Inflows of Resources	<u>243,575</u>	<u>21,278</u>	<u>264,853</u>
Net Investment in Capital Assets	9,075,143	8,674,519	17,749,662
Restricted	953,619	0	953,619
Unrestricted	<u>1,399,639</u>	<u>1,228,431</u>	<u>2,628,070</u>
Total Net Position	<u>\$ 11,428,401</u>	<u>\$ 9,902,950</u>	<u>\$ 21,331,351</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 \$1,399,639 at June 30, 2015 for the governmental activities.

The net position of our business-type activities is \$9,902,950 at June 30, 2015. The Town generally can only use the net position to finance the continuing operations of the sewer and water operations.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

Table 2
Change in Net Position

Due to changes in classification and the impact of the new pension accounting standards (GASB 68), the Change in Net Position is not being shown comparative this year. Next year this table will be comparative.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,355,270	\$ 2,717,451	\$ 4,072,721
Operating Grants and Contributions	480,224	0	480,224
Capital Grants and Contributions	91,362	39,813	131,175
General Revenues:			
Property Taxes	5,297,765	0	5,297,765
Penalties and Interest on Delinquent Taxes	81,934	0	81,934
General State Grants	165,995	0	165,995
Unrestricted Investment Earnings	(16,619)	4,659	(11,960)
Other Revenues	<u>35,700</u>	<u>73,731</u>	<u>109,431</u>
 Total Revenues	 <u>7,491,631</u>	 <u>2,835,654</u>	 <u>10,327,285</u>
 Expenses:			
General Government	1,738,013	0	1,738,013
Public Safety	2,750,586	0	2,750,586
Highways and Public Works	1,679,763	0	1,679,763
Community Development	530,000	0	530,000
Health and Welfare	38,025	0	38,025
Recreation and Parks	431,114	0	431,114
Library	376,440	0	376,440
Interest on Long-term Debt	177,166	0	177,166
Water	0	1,028,594	1,028,594
Sewer	<u>0</u>	<u>1,568,069</u>	<u>1,568,069</u>
 Total Expenses	 <u>7,721,107</u>	 <u>2,596,663</u>	 <u>10,317,770</u>
 Increase/(Decrease) in Net Position	 <u>\$ (229,476)</u>	 <u>\$ 238,991</u>	 <u>\$ 9,515</u>

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

Table 3 presents the cost of each of the Town's programs 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. Due to changes in classification and the impact of the new pension accounting standards (GASB 68), this table is not being shown comparative this year. Next year this table will be comparative.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	\$ 1,738,013	\$ 981,985
Public Safety	2,750,586	2,230,315
Highways and Public Works	1,679,763	1,382,834
Community Development	530,000	530,000
Health and Welfare	38,025	38,025
Recreation and Parks	431,114	99,839
Library	376,440	354,087
Interest on Long-Term Debt	177,166	177,166
Totals	\$ <u>7,721,107</u>	\$ <u>5,794,251</u>

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 \$2,488,504 which represents a decrease of \$74,290 from last year's total of \$2,562,794. Included in this year's total change in fund balance is a decrease of \$121,500 in the Town's General Fund, and an increase of \$47,210 in the other non-major governmental funds.

Schedule 1 compares actual to budget for the General Fund. The summary total of the budget and actual amounts are as follows:

	Budget	Actual	Variance
Revenues	\$ 6,825,305	\$ 6,932,723	\$ 107,418
Expenditures	7,295,906	7,224,911	70,995
Transfers	410,601	324,703	(85,898)

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

Significant Budget vs Actual Variances

General Fund Revenues	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Property Taxes	\$ 5,362,451	\$ 5,327,625	\$ (34,826)
Highway Revenue	213,100	267,405	54,305
Police Department	429,197	476,273	47,076
Planning/Zoning	76,750	50,047	(26,703)
Recreation Dept.	132,139	147,785	15,646
Insurance Claims	0	24,234	24,234
All Other	<u>611,668</u>	<u>639,354</u>	<u>27,686</u>
Total	6,825,305	6,932,723	107,418
 General Fund Expenditures			
Computer Tech. Assistance	10,000	20,923	(10,923)
Town Manager Office	149,525	130,405	19,120
Property/Liability Insurance	204,700	229,544	(24,844)
Records Automation	70,000	27,370	42,630
Planning/Zoning Projects	34,000	15,699	18,301
Police Department	1,119,657	1,102,578	17,079
Public Safety Disp. Salaries	411,801	382,659	29,142
Highway Dept.	991,781	1,013,972	(22,191)
Library Materials	40,750	52,116	(11,366)
Employee Benefits	1,085,162	1,113,750	(28,588)
All Other	<u>3,178,530</u>	<u>3,135,895</u>	<u>42,635</u>
Total	7,295,906	7,224,911	70,995
Revenues - Expenditures	(470,601)	(292,188)	178,413
Net Transfers To/From Funds	<u>410,601</u>	<u>324,703</u>	<u>(85,898)</u>
Year End Surplus (Deficit)	\$ (60,000)	\$ 32,515	\$ 92,515

General Fund Revenue Variances:

Property Tax revenue was less than budget due to tax appeal decisions, a tax reclassification from the Vermont Tax Dept. and a year-end accounting entry for deferred revenue. Highway Dept. revenue was greater than budget from a paving grant and road cut permits. Police Dept. revenue exceeded budget due to grant-funded speed and DUI enforcement details. These were offset by corresponding expenditures paying for the details. Planning/Zoning revenues were less than budget due to fewer than anticipated grant projects. Recreation Dept. revenues exceeded budget from program registrations and donations/grants for playground improvements. A Property Insurance Claim was paid for damage to library books in 2013. Other miscellaneous income items that exceeded budget included grants for landscaping and fire/rescue equipment, cell tower rental fees and State payments.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

General Fund Expenditure Variances:

Computer Technical Assistance exceeded budget as a result of upgrading the Town web site, and contracting for outside IT support. Town Manager Office expenditures were less than budget due to the vacancy of the administrative position for most of the year. Property/Liability Insurance cost exceeded budget due to expenses for damaged library books (reimbursed by insurance) and greater than budgeted premium costs. Records Automation expenditures were less than budget as a result of the actual work done. (The automation project is paid for by a charge on recording fees.) Planning/Zoning project expenditures were less than budget due to fewer than anticipated grant projects. Police Dept. expenditures were less than budget due to lower salary expenditures from staff vacancies and lower vehicle fuel costs. Public Safety Dispatch expenditures were less than budget due to lower salary costs as a result of staffing vacancies. Highway Dept. expenditures were greater than budget by \$22,191. This variance was offset by additional revenues from a paving grant and contributions in aid of construction. Library materials costs were greater than budget due to replacements of collections damaged from an insurance claim in 2013. Employee Benefit costs exceeded budget due to actual health insurance claim reimbursements paid. Other Misc. expenditures that were less than budget included Building/grounds maintenance & utility costs and training expenditures.

Water and Sewer Fund Budget Variations

The Water and Sewer budget vs actual results, prepared for rate setting purposes for the year ended June 30, 2015 are shown in Schedules 12 & 13.

WATER FUND	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues	\$ 946,418	\$ 986,655	\$ 40,237
Expenses	<u>946,418</u>	<u>999,944</u>	<u>(53,526)</u>
Net Income (Loss)	\$ 0	\$ (13,289)	\$ (13,289)

SEWER FUND	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues	\$ 1,791,236	\$ 1,864,193	\$ 72,957
Expenses	<u>1,791,236</u>	<u>1,904,192</u>	<u>(112,956)</u>
Net Income (Loss)	\$ 0	\$ (39,999)	\$ (39,999)

Water Fund

On a budgetary basis, the Water Fund operating budget ended the year with a loss of \$13,289, which was worse than budget by \$13,289. Revenues exceeded budget by \$40,237. Revenues from metered and bulk water sales, connection fees, and reimbursements for line repairs all exceeded budget. Expenses were greater than budget by \$53,526. Extremely cold weather in the winter resulted in a number of frozen waterlines and waterline breaks. Payments for these repairs exceeded budget by \$88,564. Purchased water cost exceeded budget by \$23,667. A budgeted transfer of \$65,300 to the capital improvement fund did not take place in order to minimize the operating fund deficit.

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

Sewer Fund

On a budgetary basis, the Sewer Fund operating budget ended the year with a loss of \$39,999, which was worse than budget by \$39,999. Revenues were greater than budget by \$72,957 and expenses were greater than budget by \$112,956. User fees and septage disposal charges exceeded budget by \$69,977. Treatment plant maintenance and capital expenses exceeded budget by \$41,088. Equipment used to dewater sludge failed and was out of service for repairs a large portion of the year. This resulted in increased sludge disposal costs, which exceeded budget by \$91,890 as outside contractors were required for the dewatering process.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the Town had \$28,035,500 invested in a broad range of capital assets, including police, ambulance and fire equipment, buildings and water and sewer lines, net of accumulated depreciation. (See Table 4 below). This amount represents a net decrease (including additions, disposals and depreciation) of \$546,981 from last year.

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

	Governmental Activities		Business-type Activities		Totals	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Land	\$ 1,280,571	\$ 1,280,571	\$ 11,000	\$ 11,000	\$ 1,291,571	\$ 1,291,571
Construction in Progress	167,475	52,861	13,856	0	181,331	52,861
Buildings and Improvements	3,747,878	3,960,384	572,372	607,511	4,320,250	4,567,895
Vehicles and Equipment	2,337,180	2,258,676	177,265	165,147	2,514,445	2,423,823
Infrastructure	5,551,935	5,673,264	0	0	5,551,935	5,673,264
Water and Sewer Systems	0	0	13,921,964	14,331,939	13,921,964	14,331,939
Library	254,004	241,128	0	0	254,004	241,128
	<u>\$ 13,339,043</u>	<u>\$ 13,466,884</u>	<u>\$ 14,696,457</u>	<u>\$ 15,115,597</u>	<u>\$ 28,035,500</u>	<u>\$ 28,582,481</u>

Debt Administration

At June 30, 2015, the Town had \$10,285,838 in bonds and notes payable outstanding versus \$11,456,173 on June 30, 2014 – a decrease of \$1,170,335 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Bonds and Notes Payable	<u>\$ 4,263,900</u>	<u>\$ 4,738,200</u>	<u>\$ 6,021,938</u>	<u>\$ 6,717,973</u>	<u>\$ 10,285,838</u>	<u>\$ 11,456,173</u>

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees. One of those factors was the economy and unemployment in the region. Shelburne's unemployment rate was 2.4% in June 2015, compared to 2.9% in June 2014. These rates remained below the state unemployment rate, which was 3.67% in June 2015 and 4.1% in June 2014. When adopting the budget for the 2015-2016 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 common level of appraisal in 2015 was 98.5%. A large affordable housing project was completed in 2015, contributing to the overall tax base and water/sewer system usage. The number of building permits issued each year has remained steady, with 146 permits issued in 2015. The Town grand list contains a mix of residential commercial and industrial properties. The total assessed value of all taxable properties in Shelburne was \$1.50 billion in July 2015, which was an increase of 2.2% from 2014. Of the total grand list, 77% of the total value is from residential properties, 17% is from Commercial, Industrial and utility properties and 6% is from farm/land/miscellaneous properties. The town's commercial/industrial categories contain a mixture of retail, manufacturing and tourist uses as well as retirement communities.

As for the Town's business-type activities, the Selectboard approved a rate increase of 3.4% in the sewer user fee effective July 1, 2015. This increase was mainly due to increased operating expenses experienced with aging equipment. A \$3.0 million bond issue was passed in November 2015 to fund necessary equipment replacements. The water user fee was increased by 3.4% effective July 1, 2015. Sales volumes continue to decline somewhat following the trend of prior years. 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.

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 Finance Director, Town of Shelburne, 5420 Shelburne Road, P.O. Box 88, Shelburne, VT 05482.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,874,772	\$ 287,677	\$ 2,162,449
Investments	554,886	733,075	1,287,961
Receivables (Net of Allowance for Uncollectibles)	564,895	738,304	1,303,199
Internal Balances	339,307	(339,307)	0
Prepaid Expenses	6,022	0	6,022
Inventory	0	2,500	2,500
Capital Assets:			
Land	1,280,571	11,000	1,291,571
Construction in Progress	167,475	13,856	181,331
Other Capital Assets, (Net of Accumulated Depreciation)	11,890,997	14,671,601	26,562,598
Total Assets	<u>16,678,925</u>	<u>16,118,706</u>	<u>32,797,631</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>85,393</u>	<u>12,396</u>	<u>97,789</u>
Total Deferred Outflows of Resources	<u>85,393</u>	<u>12,396</u>	<u>97,789</u>
<u>LIABILITIES</u>			
Accounts Payable	373,145	101,833	474,978
Accrued Payroll and Benefits Payable	59,448	0	59,448
Accrued Interest Payable	17,484	3,124	20,608
Unearned Revenue	53,645	20,813	74,458
Noncurrent Liabilities:			
Due Within One Year	593,000	671,188	1,264,188
Due in More than One Year	3,995,620	5,409,916	9,405,536
Total Liabilities	<u>5,092,342</u>	<u>6,206,874</u>	<u>11,299,216</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	171,270	21,278	192,548
Prepaid Property Taxes	<u>72,305</u>	<u>0</u>	<u>72,305</u>
Total Deferred Inflows of Resources	<u>243,575</u>	<u>21,278</u>	<u>264,853</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	9,075,143	8,674,519	17,749,662
Restricted:			
Recreation	223,570	0	223,570
Cemetery	231,517	0	231,517
Highway Equipment	254,175	0	254,175
Records Preservation	123,370	0	123,370
Library	58,032	0	58,032
Other	62,955	0	62,955
Unrestricted	<u>1,399,639</u>	<u>1,228,431</u>	<u>2,628,070</u>
Total Net Position	<u>\$ 11,428,401</u>	<u>\$ 9,902,950</u>	<u>\$ 21,331,351</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, 2015

	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	\$ 1,738,013	\$ 722,808	\$ 33,220	\$ 0	\$ (981,985)	\$ 0	\$ (981,985)
Public Safety	2,750,586	272,805	247,466	0	(2,230,315)	0	(2,230,315)
Highways and Public Works	1,679,763	140,515	146,414	10,000	(1,382,834)	0	(1,382,834)
Community Development	530,000	0	0	0	(530,000)	0	(530,000)
Health and Welfare	38,025	0	0	0	(38,025)	0	(38,025)
Recreation and Parks	431,114	204,351	45,562	81,362	(99,839)	0	(99,839)
Library	376,440	14,791	7,562	0	(354,087)	0	(354,087)
Interest on Long-term Debt	177,166	0	0	0	(177,166)	0	(177,166)
Total Governmental Activities	<u>7,721,107</u>	<u>1,355,270</u>	<u>480,224</u>	<u>91,362</u>	<u>(5,794,251)</u>	<u>0</u>	<u>(5,794,251)</u>
Business-Type Activities:							
Water	1,028,594	926,614	0	0	0	(101,980)	(101,980)
Sewer	1,568,069	1,790,837	0	39,813	0	262,581	262,581
Total Business-Type Activities	<u>2,596,663</u>	<u>2,717,451</u>	<u>0</u>	<u>39,813</u>	<u>0</u>	<u>160,601</u>	<u>160,601</u>
Total Primary Government	<u>\$ 10,317,770</u>	<u>\$ 4,072,721</u>	<u>\$ 480,224</u>	<u>\$ 131,175</u>	<u>(5,794,251)</u>	<u>160,601</u>	<u>(5,633,650)</u>
General Revenues:							
Property Taxes					5,297,765	0	5,297,765
Penalties and Interest on Delinquent Taxes					81,934	0	81,934
General State Grants					165,995	0	165,995
Unrestricted Investment Earnings					(16,619)	4,659	(11,960)
Other Revenues					35,700	73,731	109,431
Total General Revenues					<u>5,564,775</u>	<u>78,390</u>	<u>5,643,165</u>
Change in Net Position					(229,476)	238,991	9,515
Net Position - July 1, 2014, As Restated					<u>11,657,877</u>	<u>9,663,959</u>	<u>21,321,836</u>
Net Position - June 30, 2015					<u>\$ 11,428,401</u>	<u>\$ 9,902,950</u>	<u>\$ 21,331,351</u>

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

TOWN OF SHELBURNE, VERMONT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2015

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 1,691,174	\$ 183,598	\$ 1,874,772
Investments	152,749	402,137	554,886
Receivables (Net of Allowance for Uncollectibles)	563,031	1,864	564,895
Loans Receivable (Net of Allowance for Uncollectibles)	0	0	0
Due from Other Funds	448	975,045	975,493
Prepaid Expenses	<u>6,022</u>	<u>0</u>	<u>6,022</u>
Total Assets	<u>\$ 2,413,424</u>	<u>\$ 1,562,644</u>	<u>\$ 3,976,068</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 334,495	\$ 38,650	\$ 373,145
Accrued Payroll and Benefits Payable	59,448	0	59,448
Due to Other Funds	594,014	42,172	636,186
Unearned Revenue	<u>53,645</u>	<u>0</u>	<u>53,645</u>
Total Liabilities	<u>1,041,602</u>	<u>80,822</u>	<u>1,122,424</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	72,305	0	72,305
Unavailable Property Taxes, Penalties and Interest	205,203	0	205,203
Unavailable Receivables	<u>87,632</u>	<u>0</u>	<u>87,632</u>
Total Deferred Inflows of Resources	<u>365,140</u>	<u>0</u>	<u>365,140</u>
<u>FUND BALANCES</u>			
Nonspendable	6,022	0	6,022
Restricted	0	953,619	953,619
Committed	453,157	372,233	825,390
Assigned	0	155,970	155,970
Unassigned	<u>547,503</u>	<u>0</u>	<u>547,503</u>
Total Fund Balances	<u>1,006,682</u>	<u>1,481,822</u>	2,488,504
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,413,424</u>	<u>\$ 1,562,644</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.			13,339,043
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.			292,835
Deferred Outflows of Resources Related to the Town's Particiatipion in VMERS are applicable to Future Periods and, therefore, are not Reported in the Funds.			85,393
Deferred Inflows of Resources Related to the Town's Participation in VMERS are Applicable to Future Periods and therefore, are not Reported in the Funds.			(171,270)
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.			<u>(4,606,104)</u>
Net Position of Governmental Activities			<u>\$ 11,428,401</u>

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

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 5,233,623	\$ 0	\$ 5,233,623
Penalties & Interest on Delinquent Taxes	52,613	0	52,613
Intergovernmental	426,908	31,363	458,271
Charges for Services	888,294	18,391	906,685
Permits, Licenses & Fees	256,674	46,893	303,567
Rental Income	272,826	0	272,826
Investment Income	29,739	(17,037)	12,702
Contributions	0	146,885	146,885
Other	47,112	28,159	75,271
Total Revenues	7,207,789	254,654	7,462,443
Expenditures:			
General Government	1,518,422	5,327	1,523,749
Public Safety	2,483,642	7,128	2,490,770
Cemetery	35,510	1,240	36,750
Highways and Public Works	1,358,472	2,191	1,360,663
Health and Welfare	38,025	0	38,025
Recreation and Parks	297,230	38,773	336,003
Library	318,664	6,722	325,386
Capital Outlay:			
General Government	59,532	0	59,532
Public Safety	203,476	70,471	273,947
Highways and Public Works	138,810	113,153	251,963
Recreation and Parks	32,417	100,067	132,484
Library	49,936	0	49,936
Debt Service:			
Principal	522,300	52,000	574,300
Interest	180,825	2,400	183,225
Total Expenditures	7,237,261	399,472	7,636,733
Excess/(Deficiency) of Revenues Over Expenditures	(29,472)	(144,818)	(174,290)
Other Financing Sources/(Uses):			
Proceeds from Long-Term Debt	0	100,000	100,000
Transfers In	120,617	237,645	358,262
Transfers Out	(212,645)	(145,617)	(358,262)
Total Other Financing Sources/(Uses)	(92,028)	192,028	100,000
Net Change in Fund Balances	(121,500)	47,210	(74,290)
Fund Balances - July 1, 2014 , As Restated	1,128,182	1,434,612	2,562,794
Fund Balances - June 30, 2015	<u>\$ 1,006,682</u>	<u>\$ 1,481,822</u>	<u>\$ 2,488,504</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, 2015

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)	\$	(74,290)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$767,862) is allocated over their estimated useful lives and reported as depreciation expense (\$882,158). This is the amount by which capital outlays exceeded depreciation in the current period.		(114,296)
The issuance of long-term debt (\$100,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$574,300) 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.		474,300
Community Development loan funds receivable were evaluated for collectibility and the increase in allowance for doubtful accounts decreases net position.		(530,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		29,187
Governmental Funds report pension contributions as expenditures (\$85,016). However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions (\$83,836) is reported as pension expense. This amount is due to the net effect of the differences in the treatment of pension expense.		1,180
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>(15,557)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>(229,476)</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, 2015

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 287,677	\$ 0	\$ 287,677
Investments	463,984	269,091	733,075
Receivables (Net of Allowance for Uncollectibles)	255,617	482,687	738,304
Due from Other Funds	0	469,774	469,774
Inventory	2,500	0	2,500
Total Current Assets	1,009,778	1,221,552	2,231,330
Noncurrent Assets:			
Land	0	11,000	11,000
Construction in Progress	13,856	0	13,856
Buildings and Building Improvements	41,989	1,677,024	1,719,013
Vehicles, Machinery and Equipment	123,098	287,150	410,248
Distribution/Collection Systems	4,770,092	16,805,385	21,575,477
Less: Accumulated Depreciation	(1,838,955)	(7,194,182)	(9,033,137)
Total Noncurrent Assets	3,110,080	11,586,377	14,696,457
Deferred Outflows of Resources:			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	3,157	9,239	12,396
Total Deferred Outflows of Resources	3,157	9,239	12,396
Total Assets and Deferred Outflows of Resources	\$ 4,123,015	\$ 12,817,168	\$ 16,940,183
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 43,539	\$ 58,294	\$ 101,833
Accrued Interest Payable	3,124	0	3,124
Unearned Revenue	8,952	11,861	20,813
Due to Other Funds	809,081	0	809,081
Bonds and Notes Payable - Current Portion	85,000	586,188	671,188
Total Current Liabilities	949,696	656,343	1,606,039
Noncurrent Liabilities:			
Compensated Absences Payable	35,335	16,933	52,268
Net Pension Liability	1,799	5,099	6,898
Bonds and Notes Payable - Noncurrent Portion	755,000	4,595,750	5,350,750
Total Noncurrent Liabilities	792,134	4,617,782	5,409,916
Total Liabilities	1,741,830	5,274,125	7,015,955
Deferred Inflows of Resources:			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	15,732	5,546	21,278
Total Deferred Outflows of Resources	15,732	5,546	21,278
NET POSITION			
Net Investment in Capital Assets	2,270,080	6,404,439	8,674,519
Unrestricted	95,373	1,133,058	1,228,431
Total Net Position	2,365,453	7,537,497	9,902,950
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 4,123,015	\$ 12,817,168	\$ 16,940,183

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, 2015

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 915,739	\$ 1,765,513	\$ 2,681,252
Penalties & Interest	10,875	25,324	36,199
Miscellaneous	<u>56,830</u>	<u>3,356</u>	<u>60,186</u>
Total Operating Revenues	<u>983,444</u>	<u>1,794,193</u>	<u>2,777,637</u>
Operating Expenses:			
Salaries and Wages	188,136	280,013	468,149
Administrative Charges	43,350	61,583	104,933
Benefits	96,086	116,832	212,918
Insurances	12,100	31,582	43,682
Professional Services	7,266	12,947	20,213
Communications	3,616	4,910	8,526
Utilities	0	193,854	193,854
Sludge Removal	0	181,890	181,890
Water Supply & Engineering	361,626	0	361,626
Maintenance	183,471	158,921	342,392
Chemicals	0	34,170	34,170
Depreciation	110,526	414,271	524,797
Other Operating Expenses	<u>13,056</u>	<u>55,203</u>	<u>68,259</u>
Total Operating Expenses	<u>1,019,233</u>	<u>1,546,176</u>	<u>2,565,409</u>
Operating Income/(Loss)	<u>(35,789)</u>	<u>248,017</u>	<u>212,228</u>
Non-Operating Revenues/(Expenses):			
Investment Income	3,211	1,448	4,659
Interest Expense	<u>(9,361)</u>	<u>(8,348)</u>	<u>(17,709)</u>
Total Non-Operating Revenues/(Expenses)	<u>(6,150)</u>	<u>(6,900)</u>	<u>(13,050)</u>
Income (Loss) Before Capital Contributions	(41,939)	241,117	199,178
Capital Contributions - Connection Fees	<u>0</u>	<u>39,813</u>	<u>39,813</u>
Change in Net Position	(41,939)	280,930	238,991
Net Position - July 1, 2014, As Restated	<u>2,407,392</u>	<u>7,256,567</u>	<u>9,663,959</u>
Net Position - June 30, 2015	<u>\$ 2,365,453</u>	<u>\$ 7,537,497</u>	<u>\$ 9,902,950</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, 2015

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 900,189	\$ 1,777,002	\$ 2,677,191
Receipts from Interfund Services	18,196	0	18,196
Other Receipts	56,830	3,356	60,186
Payments for Goods and Services	(611,115)	(670,145)	(1,281,260)
Payments for Interfund Services	(43,350)	(61,583)	(104,933)
Payments for Wages and Benefits	(274,506)	(406,320)	(680,826)
	<u>46,244</u>	<u>642,310</u>	<u>688,554</u>
Net Cash Provided by Operating Activities			
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	90,391	11,285	101,676
	<u>90,391</u>	<u>11,285</u>	<u>101,676</u>
Net Cash Provided by Noncapital Financing Activities			
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(45,330)	(60,327)	(105,657)
Capital Contributions-Connection Fees	0	39,813	39,813
Principal Paid on:			
General Obligation Bonds	(85,000)	(611,034)	(696,034)
Interest Paid on:			
General Obligation Bonds	(6,237)	(22,047)	(28,284)
	<u>(136,567)</u>	<u>(653,595)</u>	<u>(790,162)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities			
Net Increase in Cash	68	0	68
Cash - July 1, 2014, as Restated	<u>287,609</u>	<u>0</u>	<u>287,609</u>
Cash - June 30, 2015	<u>\$ 287,677</u>	<u>\$ 0</u>	<u>\$ 287,677</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ (35,789)	\$ 248,017	\$ 212,228
Depreciation	110,526	414,271	524,797
(Increase)/Decrease in Receivables	(6,278)	(21,807)	(28,085)
(Increase)/Decrease in Prepaid Expenses	0	0	0
(Increase)/Decrease in Inventory	0	0	0
Increase/(Decrease) in Accounts Payable	(29,980)	3,333	(26,647)
Increase/(Decrease) in Pension Liabilities	9,718	(11,690)	(1,972)
Increase/(Decrease) in Compensated Absences Payable	0	2,214	2,214
Increase/(Decrease) in Unearned Revenue	(1,953)	7,972	6,019
	<u>46,244</u>	<u>642,310</u>	<u>688,554</u>
Net Cash Provided by Operating Activities			

The Town was granted a forgiveness of debt in the Sewer Fund in the amount of \$13,697 from the State of Vermont.

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

E. Use of Estimates

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

F. New Pronouncement – Financial Reporting for Pension Plans

Effective June 30, 2015, the Town implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" – an amendment of GASB Statement No. 27. GASB Statement No. 68 required the reporting of the proportionate share of the net pension liability related to the Town participation in the Vermont Municipal Employees' Retirement System (VMERS), as well as additional disclosures and required supplemental information. The objective of this Statement is to improve the accounting and financial reporting by state and local governments for pension plans for making decisions and assessing accountability.

G. 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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

3. Receivables

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

4. Internal Balances

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

5. Inventories and Prepaid Expenses

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

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

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

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.

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. The Town has one (1) type of item which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources related to the Town’s participation in VMERS. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

TOWN OF SHELBURNE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

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. The Town has there (3) types of items which arise under the modified accrual basis of accounting and two (2) types which arise under the accrual basis of accounting that qualify for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred inflows of resources from two (2) sources: prepaid property taxes and deferred inflows of resources related to the Town's participation in VMERS. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows of resources are related. The governmental funds report deferred inflows of resources from three (3) sources: prepaid property taxes, unavailable property taxes, penalties and interest and unavailable receivables. 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 fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

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

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

	Capitalization Threshold	Estimated Service Life
Land and Land Improvements	\$ 5,000	10-20 Years
Buildings and Building Improvements	\$ 5,000	10-100 Years
Vehicles 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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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 and the Road Cut Deposit and Landscape Escrow activity that is included with the General Fund.

B. Budgeted Deficit

For the year ended June 30, 2015, the Town budgeted a deficit of \$60,000 in the General Fund in order to use a portion of prior years' surpluses.

C. Restatement of Net Position

Effective June 30, 2015, the Town implemented GASB Statement No. 68, "Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27." As a result, beginning net position of the Governmental Activities was reduced by \$142,599. The Town is a participant in the Vermont Municipal Employees' Retirement System (VMERS) and beginning net position was reduced by the Town's share of beginning net pension liability of \$221,109. Additionally, beginning net position of the Governmental Activities was increased by \$78,510 for contributions made to VMERS during fiscal year 2014. Also, net position has been decreased by \$103,198 to correct errors as follows:

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Correct - Accrued Expenditures	\$ 24,381
Remove Endowment Fund not Owned by the Town	(101,941)
Correct Escrow Funds not Previously Recorded	39,964
Correct Education Impact Fees Reclassified as a Liability	<u>(65,602)</u>
Decrease in Net Position Due to Errors	<u>\$ (103,198)</u>

The effect on these errors on the Statement of Net Position as of June 30, 2014 was that assets were overstated \$61,977, liabilities were understated \$41,221, and net position was overstated \$103,198. The effect on the Statement of Activities was not determined.

Governmental Activities net position has been restated as follows:

Net Position, As Originally Reported - June 30, 2014	\$11,903,674
Net Pension Liability – VMERS	(142,599)
Correction of Errors	<u>(103,198)</u>
Net Position, As Restated – June 30, 2014	<u>\$11,657,877</u>

Beginning net position in the Business-Type Activities was reduced by \$17,752 as a result of GASB Statement No. 68. The reduction reflects the net pension liability of \$27,471 associated with the Town’s participation in VMERS. Additionally, beginning net position of the Business-Type Activities was increased by \$9,719 for contributions made to VMERS during fiscal year 2014. Also, beginning net position was increased as there was an overstatement of debt in the Sewer Fund of \$168,948. The effect of this error on the Statement of Net Position as of June 30, 2014 was that liabilities were overstated \$168,948 and net position was understated \$168,948. The effect on the Statement of Activities was not determined. The Business-Type Activities net position has been restated from \$9,512,763 to \$9,663,959.

Beginning net position in the Water Fund was reduced by \$4,656. The reduction reflects the net pension liability of \$7,159 associated with the Town’s participation in VMERS. Additionally, beginning net position in the Water Fund was increased by \$2,503 for contributions made to VMERS during fiscal year 2014. The Water Fund net position has been restated from \$2,412,048 to \$2,407,392.

Beginning net position in the Sewer Fund was reduced by \$13,095. The reduction reflects the net pension liability of \$20,317 associated with the Town’s participation in VMERS. Additionally, beginning net position in the Sewer Fund was increased by \$7,222 for contributions made to VMERS during fiscal year 2014. Also, beginning net position was increased as there was an overstatement of debt in the Sewer Fund of \$168,948. The effect of this error on the Statement of Net Position as of June 30, 2014 was that liabilities were overstated \$168,948 and net position was understated \$168,948. The effect on the Statement of Activities was not determined. The Sewer Fund net position has been restated from \$7,100,714 to \$7,256,567.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

D. Restatement of Fund Balances

The beginning fund balances in the General Fund and the Non-Major Funds have been restated for the following items as of July 1, 2014.

	General Fund	Non-Major Funds
Correct Accrued Expenditures	\$ 24,381	\$ 0
Correct Deferred Inflows of Resources for Receivables not Available	(49,401)	0
Correct Escrow Funds that were not Recorded	39,964	0
Correct Education Impact Fee Fund Balance as Liability	(65,602)	0
Funds Reclassified	654,039	(654,039)
Remove Endowment Fund not Owned By the Town	<u>0</u>	<u>(101,941)</u>
	603,381	(755,980)
Fund Balances, As Originally Reported	<u>524,801</u>	<u>2,190,592</u>
Fund Balances, As Restated	<u>\$1,128,182</u>	<u>\$1,434,612</u>

The effect of these errors on the Governmental Funds Balance Sheet at June 30, 2014 was that assets were overstated \$61,977, liabilities were understated \$41,221, deferred inflows were understated \$49,401 and fund balance was overstated by \$152,599. The effect on the statement of revenues, expenditures and changes in fund balances was not determined.

Certain funds were reclassified as they did not meet the definition of a special revenue fund or were completed capital projects:

The following funds were reclassified to the General Fund:

Ambulance Fund	\$602,323
Police HSU Fund	(59,484)
Recreation Shoulder Fund	29,623
Education Impact Fee Fund	65,602
Other Special Revenue Funds	<u>15,975</u>
	<u>\$654,039</u>

E. Restatement of Cash

The beginning cash balances have been restated due to cash being reclassified from cash to investments (certificates of deposits) as follows:

	Water Fund	Sewer Fund
Cash, As Originally Reported	\$ 748,382	\$ 267,642
As Certificate of Deposit Reclassified as Investment	<u>(460,773)</u>	<u>(267,642)</u>
Cash, As Restated	<u>\$ 287,609</u>	<u>\$ 0</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2015 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$ <u>2,162,449</u>
Investments:	
Certificates of Deposit	1,026,311
Common Stock	94,959
Mutual Funds	<u>166,691</u>
Total Investments	<u>1,287,961</u>
Total Cash and Investments	<u>\$3,450,410</u>

The Town has eleven (11) certificates of deposit at various banks with interest rates ranging from .3% to .7%. The certificates of deposit mature in the following fiscal years:

2016	\$ 309,452
2017	<u>716,859</u>
	<u>\$1,026,311</u>

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.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$1,643,616	\$1,643,621
Uninsured, Collateralized by U.S. Government Securities Held by the Bank, In the Bank's Name for the Benefit of the Town	1,364,170	1,441,320
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank's Name	150,798	150,798
Uninsured, Uncollateralized	<u>30,176</u>	<u>30,176</u>
Total	<u>\$3,188,760</u>	<u>\$3,265,915</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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	\$2,162,449
Investments – Certificates of Deposit	<u>1,026,311</u>
Total	<u>\$3,188,760</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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

B. Receivables

Receivables as of June 30, 2015, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes	\$ 195,896	\$ 0	\$ 195,896
Penalties and Interest	50,191	0	50,191
Billed Services	61,281	80,207	141,488
Unbilled Services	0	630,403	630,403
Grants	162,429	0	162,429
Miscellaneous	95,098	37,694	132,792
Allowance for Doubtful Accounts	0	(10,000)	(10,000)
	\$ 564,895	\$ 738,304	\$ 1,303,199

C. Loans Receivable

Loans receivable as of June 30, 2015 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, 2015	<u>\$ 0</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

D. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,280,571	\$ 0	\$ 0	\$ 1,280,571
Construction in Progress	52,861	158,265	43,651	167,475
Total Capital Assets, Not Being Depreciated	<u>1,333,432</u>	<u>158,265</u>	<u>43,651</u>	<u>1,448,046</u>
Capital Assets, Being Depreciated:				
Buildings and Land Improvements	9,315,724	95,960	0	9,411,684
Vehicles and Equipment	4,777,169	467,886	130,961	5,114,094
Infrastructure	6,451,943	35,343	0	6,487,286
Library Collection	405,442	64,062	69,386	400,118
Totals	<u>20,950,278</u>	<u>663,251</u>	<u>200,347</u>	<u>21,413,182</u>
Less Accumulated Depreciation for:				
Buildings and Land Improvements	5,355,340	308,466	0	5,663,806
Vehicles and Equipment	2,518,493	373,471	115,050	2,776,914
Infrastructure	778,679	156,672	0	935,351
Library Collection	164,314	43,549	61,749	146,114
Totals	<u>8,816,826</u>	<u>882,158</u>	<u>176,799</u>	<u>9,522,185</u>
Total Capital Assets, Being Depreciated	<u>12,133,452</u>	<u>(218,907)</u>	<u>23,548</u>	<u>11,890,997</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,466,884</u>	<u>\$ (60,642)</u>	<u>\$ 67,199</u>	<u>\$ 13,339,043</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,000	\$ 0	\$ 0	\$ 11,000
Construction in Progress	0	13,856	0	13,856
Total Capital Assets, Not Being Depreciated	<u>11,000</u>	<u>13,856</u>	<u>0</u>	<u>24,856</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,719,013	0	0	1,719,013
Vehicles, Machinery and Equipment	383,993	47,004	20,749	410,248
Distribution and Collection Systems	21,530,680	44,797	0	21,575,477
Totals	<u>23,633,686</u>	<u>91,801</u>	<u>20,749</u>	<u>23,704,738</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	1,111,502	35,139	0	1,146,641
Vehicles, Machinery and Equipment	218,846	34,886	20,749	232,983
Distribution and Collection Systems	7,198,741	454,772	0	7,653,513
Totals	<u>8,529,089</u>	<u>524,797</u>	<u>20,749</u>	<u>9,033,137</u>
Total Capital Assets, Being Depreciated	<u>15,104,597</u>	<u>(432,996)</u>	<u>0</u>	<u>14,671,601</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,115,597</u>	<u>\$ (419,140)</u>	<u>\$ 0</u>	<u>\$ 14,696,457</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 203,394	Water	\$ 110,526
Public Safety	249,048	Sewer	<u>414,271</u>
Highways and Public Works	280,375		
Recreation and Parks	93,117		
Library	<u>56,224</u>		
 Total Depreciation Expense - Governmental Activities	 <u>\$ 882,158</u>	 Total Depreciation Expense - Business-Type Activities	 <u>\$ 524,797</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2015 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 448	\$ 594,014
Non-Major Governmental Funds	975,045	42,172
Water Fund	0	809,081
Sewer Fund	<u>469,774</u>	<u>0</u>
 Total	 <u>\$ 1,445,267</u>	 <u>\$ 1,445,267</u>

Interfund transfers during the year ended June 30, 2015 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Dog Park Fund	\$ 820	Annual Appropriation
General Fund	Bay Park Fund	8,500	Annual Appropriation
General Fund	Police Fund	43,725	Annual Appropriation
General Fund	Highway Equipment Fund	131,000	Annual Appropriation
General Fund	Cemetery Tractor Fund	1,600	Annual Appropriation
General Fund	Community Fund	2,000	Annual Appropriation
General Fund	Open Land Trust Fund	25,000	Annual Appropriation
Non-Major Funds:			
Records Preservation Fund	General Fund	27,370	Reimbursement Expenditures in General Fund
Cemetery Fund	General Fund	8,000	Annual Appropriation
Baseball Fund	General Fund	8,512	Reimburse Expenditures in General Fund
Recreation-Other	General Fund	720	Reimburse Expenditures in General Fund
Tree Fund	General Fund	1,015	Reimburse Expenditures in General Fund
Recreation Impact Fees	General Fund	75,000	Reimburse Expenditures in General Fund
Pierson Library Fund	Library Building Fund	<u>25,000</u>	Annual Appropriation
 Total		 <u>\$ 358,262</u>	

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$376 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 \$85,017 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Governmental Activities is \$85,393.

Deferred outflows of resources in the Business-type Activities consists of \$47 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 \$12,349 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Business-type Activities is \$12,396.

Deferred outflows of resources in the Water Fund consists of \$12 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 \$3,145 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$3,157.

Deferred outflows of resources in the Sewer Fund consists of \$35 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 \$9,204 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$9,239.

G. Unearned Revenue

Unearned revenue in the General Fund consists of \$7,577 rent received in advance and \$46,068 recreation revenues received in advance. Unearned revenue in the Water Fund consists of \$8,952 in customer fees received in advance. Unearned revenue in the Sewer Fund consists of \$11,861 in customer fees received in advance. This revenue will be earned in 2016 as fees are billed.

H. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$205,203 of delinquent property taxes, penalties and interest on those taxes and \$87,632 of receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$72,305 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$365,140.

Deferred inflows of resources in the Governmental Activities consists of \$72,305 of prepaid property taxes and \$171,270 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Governmental Activities is \$243,575.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Deferred inflows of resources in the Business-type Activities consists of \$21,278 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Business-type Activities is \$21,278.

Deferred inflows of resources in the Water Fund consists of \$15,732 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

Deferred inflows of resources in the Sewer Fund consists of \$5,546 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

I. Long-term Liabilities

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

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

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

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

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

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Long-term liabilities outstanding as of June 30, 2015 were as follows:

<u>Governmental Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Town Center bond payable to Vermont Municipal Bond Bank, annual principal payments of \$235,000 plus semi-annual interest payments at 3.62% to 5.18%, due December 1, 2021	\$ 1,645,000	\$ 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 15, 2023	180,000	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 15, 2025.	855,000	105,000
Capital Improvement (Fire truck, Beach seawall, Webster Road Path) bond payable, Vermont Municipal Bond Bank, annual principal payments of \$15,000 to \$85,000, plus semi-annual interest payments at 1.033% to 3.426%, matures November 15, 2030.	645,000	85,000
Special assessment debt, 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 15, 2030.	480,000	30,000
Capital equipment (truck) note payable to the Vermont Municipal Equipment Loan Fund, annual principal payments of \$22,000, plus annual interest payments at 2.0%, matures December 31, 2016.	44,000	22,000
Capital equipment (Dump truck) note payable to the Peoples United Bank, annual principal payments of \$20,000 plus annual interest payments at 1.2%, matures January 28, 2020	100,000	20,000
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.	205,000	30,000
Capital equipment (PSIC grant public safety equipment) note payable to the National Bank of Middlebury, annual principal payments of \$16,000 and \$15,900, plus annual interest payments at .95%, matures June 22, 2017.	31,900	16,000

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

<u>Governmental Activities</u>	<u>Total</u>	<u>Due in One Year</u>
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payments of \$12,000, plus annual interest payments at .95%, matures May 25, 2017.	\$ 24,000	\$ 12,000
Capital equipment (truck) note payable to the National Bank of Middlebury, annual principal payments of \$18,000, plus annual interest payments at .95%, matures August 25, 2017.	<u>54,000</u>	<u>18,000</u>
Total long-term bonds and notes payable	<u>\$ 4,263,900</u>	<u>\$ 593,000</u>
 <u>Business-Type Activities</u>		
Sewer Fund		
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available \$7,495,636, non-interest bearing, annual principal payments of \$384,817.	\$ 3,078,538	\$ 384,817
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.	81,654	4,721
Sewer upgrade note payable to State of Vermont Special Environmental Revolving Fund, total available, \$1,620,247, non-interest bearing, annual principal payments of \$85,979.	859,786	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.	405,181	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	451,725	33,680
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.	133,932	6,693

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Business-Type Activities	Total	Due in One Year
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. The 2016 payment was paid prior to June 30, 2015.	\$ 139,472	\$ 0
Capital equipment (trucks) note payable to the National Bank of Middlebury, interest at 0.95%, annual principal payments of \$13,250 and \$12,000, matures May 25, 2017.	25,250	13,250
Capital equipment (generator) note payable to the National Bank of Middlebury, Interest at 0.95%, annual principal payments of \$6,400, matures June 25, 2025.	<u>6,400</u>	<u>6,400</u>
Total Sewer funds long-term bond and notes payable	<u>5,181,938</u>	<u>586,188</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 December 1, 2023.	490,000	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 15, 2020.	30,000	5,000
Water bond payable, to the Vermont Municipal Bond Bank, annual principal payments of between \$20,000 and \$25,000 plus semi-annual interest payments at 0.44% to 4.33%, matures November 15, 2028.	<u>320,000</u>	<u>25,000</u>
Total Water fund long-term bond and notes payable	<u>840,000</u>	<u>85,000</u>
Total Business-type Activities	<u>\$ 6,021,938</u>	<u>\$ 671,188</u>

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Maturities of bonds and notes payable are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 593,000	\$ 163,006	\$ 756,006	\$ 671,188	\$ 33,940	\$ 705,128
2017	552,900	67,154	620,054	677,178	30,671	707,849
2018	498,000	45,064	543,064	666,352	27,170	693,522
2019	480,000	39,830	519,830	667,550	24,250	691,800
2020	480,000	18,575	498,575	668,773	20,892	689,665
2021-2025	1,305,000	137,092	1,442,092	2,402,138	51,630	2,453,768
2026-2030	310,000	34,600	344,600	250,565	8,194	258,759
2031-2035	45,000	1,014	46,014	18,194	548	18,742
Total	\$ 4,263,900	\$ 506,335	\$ 4,770,235	\$ 6,021,938	\$ 197,295	\$ 6,219,233

Changes in long-term liabilities for the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and Notes Payable	\$ 4,738,200	\$ 100,000	\$ 574,300	\$ 4,263,900	\$ 593,000
Compensated Absences	247,532	21,646	0	269,178	0
Net Pension Liability	221,109	0	165,567	55,542	0
Total Governmental Activities Long-Term Liabilities	\$ 5,206,841	\$ 121,646	\$ 739,867	\$ 4,588,620	\$ 593,000
Business-Type Activities					
Bonds and Notes Payable	\$ 6,717,973	\$ 0	\$ 696,035	\$ 6,021,938	\$ 671,188
Compensated Absences	50,054	2,214	0	52,268	0
Net Pension Liability	27,471	0	20,573	6,898	0
Total Business-Type Activities Long-Term Liabilities	\$ 6,795,498	\$ 2,214	\$ 716,608	\$ 6,081,104	\$ 671,188

J. Fund Balances

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

The fund balance in the following fund is nonspendable as follows:

Major Funds

General Fund:

Prepaid Expenses	\$ <u>6,022</u>
------------------	-----------------

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

Non-Major Funds

Special Revenue Funds:

Restricted for Recreation by Grant Agreements (Source of Revenue is Grant Revenue)	\$140,473
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Fees)	123,370
Restricted for Library Expenses by Donation (Source of Revenue is Donations)	224
Other Restrictions by Donations (Source of Revenue is Donations)	<u>28,071</u>
Total Special Revenue Funds	<u>292,138</u>

Capital Project Funds:

Restricted for Pine Haven Stormwater by Grant Agreements	7,845
Restricted for Library Building by Fee Agreement	36,760
Restricted for Highway Equipment Replacement Expenditures by Statute	254,175
Restricted for Police by Grant Agreements	<u>27,239</u>
Total Capital Project Funds	<u>326,019</u>

Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	231,317
Restricted for Library Endowment by Trust Agreements – Expendable Portion	21,048
Restricted for Lillian Davis (Memorial Fund – Expendable Portion)	<u>83,097</u>
Total Permanent Funds	<u>335,462</u>

Total Non-Major Funds	<u>953,619</u>
-----------------------	----------------

Total Restricted Fund Balances	<u>\$953,619</u>
--------------------------------	------------------

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The fund balances in the funds are committed as follows:

Major Fund

General Fund:

Committed for Ambulance and Rescue Operations by Voters	\$ <u>453,157</u>
--	-------------------

Non-Major Funds

Special Revenue Funds:

Committed for Open Land Trust by Voters (Source of Revenue is Transfers)	236,155
Committed for Cemetery Tractor by Voters (Source of Revenue is Transfers)	<u>9,276</u>

Total Special Revenue Funds	<u>245,431</u>
-----------------------------	----------------

Capital Projects Funds:

Committed for Bay Park by Voters	35,522
Committed for Police Equipment by Voters	<u>91,280</u>

Total Capital Project Funds	<u>126,802</u>
-----------------------------	----------------

Total Non-Major Funds	<u>372,233</u>
-----------------------	----------------

Total Committed Fund Balances	\$ <u>825,390</u>
-------------------------------	-------------------

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

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses (Source of Revenue is Fees)	\$ <u>132,842</u>
--	-------------------

Capital Projects Funds:

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

Total Capital Project Fund	<u>23,128</u>
----------------------------	---------------

Total Assigned Fund Balances	\$ <u>155,970</u>
------------------------------	-------------------

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2015 consisted of the following:

Governmental Activities:

Restricted for Recreation by Grant Agreements	\$140,473
Restricted for Records Preservation Expenses by Statute	123,370
Restricted for Library Expenses by Donation	224
Restricted for Other Purposes by Donations	28,071
Restricted for Pine Haven Stormwater by Grant Agreements	7,845
Restricted for Library Building by Fee Agreement	36,760
Restricted for Highway Equipment Replacement Expenditures by Statute	254,175
Restricted for Police by Grant Agreements	27,239
Restricted for Cemetery by Trust Agreements	231,317
Restricted for Library by Trust Agreements	21,048
Restricted for Recreation Projects (Lillian Davis Memorial) by Donations	<u>83,097</u>
Total Governmental Activities	<u>\$953,619</u>

The designated net position of the Town's Proprietary Funds as of June 30, 2015 consisted of the following:

Water Fund:

Designated for Water Capital Projects	\$ 69,075
Designated for Future Water Capital Projects	<u>20,501</u>
Total Water Fund	<u>89,576</u>

Sewer Fund:

Designated for Sewer Capital Projects	100,116
Designated for Future Sewer Capital Projects	<u>135,838</u>
Total Sewer Fund	<u>235,954</u>

Total Business-type Activities	<u>\$325,530</u>
--------------------------------	------------------

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the retirement system consisted of 437 participating employers.

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 and Deferred Inflows of Resources

As of June 30, 2014, the measurement date selected by the State of Vermont, VMERS was funded at 98.32% and had a plan fiduciary net position of \$534,525,477 and a total pension liability of \$543,652,090 resulting in a net pension liability of \$9,126,613. As of June 30, 2015, the Town's proportionate share of this was .6842% resulting in a liability of \$62,440. The net pension liability was measured as of June 30, 2014, 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, 2014, the Town's proportion of .6842% was an increase of .0015% from its proportion measured as of June 30, 2013.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

For the year ended June 30, 2015, the Town recognized pension expense of \$94,253.

As of June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportional share of contributions	\$ 423	\$ 0
Difference between projected and actual earnings on pension plan investments	0	192,548
Town's required employer contributions made subsequent to the measurement date	97,366	0
	\$ 97,789	\$ 192,548

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$97,366 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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
2016	\$ 38,510
2017	38,510
2018	38,510
2019	38,509
2020	38,509
Total	\$ 192,548

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Service Retirement Allowance:

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

Amount: Group B – 1.75% 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.

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.

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 – 4.75% effective July 1, 2014 (increased from 4.625%). Group C – 9.625% effective July 1, 2014 and 9.75% effective January 1, 2015 (increased from 9.5%).

Employer Contributions: Group B – 5.375% effective July 1, 2014 (increased from 5.125%). Group C – 6.875% from July 1, 2014 to December 31, 2014 (increased from 6.625%) and then 7.0% effective January 1, 2015.

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

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary Increases: 5% per year.

Deaths:

Active participants: 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants: The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees: RP-2000 Disabled Life Tables.

Beneficiaries: 1995 Buck Mortality Tables for males and females.

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

TOWN OF SHELBURNE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for Group B and C members.

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

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

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

TOWN OF SHELBURNE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate: The discount rate used to measure the total pension liability was 8.23%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.23%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%).

	Impact of a 1% Change in the Discount Rate	
	Discount Rate	Net Pension Liability
Current Rate	8.23%	62,440
1% Decrease	7.23%	526,055
1% Increase	9.23%	(326,511)

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 \$1,287,005 and pension expense was \$65,959.

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

TOWN OF SHELBURNE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

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

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 an 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 2015 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.3571	.3571
Veterans Exemption	.0008	.0008
Education	<u>1.4506</u>	<u>1.5196</u>
Total	<u>1.8085</u>	<u>1.8775</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, 2015 is \$107,816.

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. SUBSEQUENT EVENTS

At a special meeting held November 3, 2015, Shelburne voters approved a bond issue of up to three million dollars (\$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. It is anticipated funds will be spent on this project starting in fiscal year 2017.

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, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes:			
Property Taxes	\$ 5,248,731	\$ 5,182,903	\$ (65,828)
Special Assessments	50,720	50,720	0
Penalties	35,000	52,613	17,613
Late Homestead Filing	3,000	12,068	9,068
Interest Income	25,000	29,321	4,321
Total Property Taxes	5,362,451	5,327,625	(34,826)
Administration:			
Liquor Licenses	2,600	3,245	645
Animal Licenses	5,300	6,278	978
Fish and Game Licenses	75	53	(22)
Marriage/Civil Union Licenses	550	655	105
Recording Fees	62,000	46,092	(15,908)
Passport Fees and Photos	7,500	14,475	6,975
Miscellaneous	500	153	(347)
Copier Use	6,500	6,928	428
Vital Statistics Copies	4,000	4,100	100
Other Fees	2,225	1,827	(398)
Total Administration	91,250	83,806	(7,444)
Highway Revenue:			
Received for State Aid/Grant	145,000	145,065	65
Construction Reimbursements	60,000	95,706	35,706
Permits	8,100	26,600	18,500
Miscellaneous	0	34	34
Total Highway Revenue	213,100	267,405	54,305
Police Department:			
Judicial Fees	60,000	48,092	(11,908)
Special Duty Reimbursement	25,000	36,618	11,618
Patrol Duty	32,000	0	(32,000)
Public Safety Grants	0	65,376	65,376
Dispatch Contracts	201,097	202,427	1,330
E911 Operation Grant	90,000	90,000	0
Other	21,100	33,760	12,660
Total Police Department	429,197	476,273	47,076
Cemeteries:	1,400	3,700	2,300
Planning and Zoning:			
Permits and Fees	49,550	44,814	(4,736)
Grant Revenue	27,200	5,233	(21,967)
Total Planning and Zoning	76,750	50,047	(26,703)

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, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Water and Sewer:			
Water Department Administration	\$ 43,350	\$ 43,350	\$ 0
Sewer Department Administration	43,350	43,350	0
Total Water and Sewer	86,700	86,700	0
Recreation Department:			
Sale of Beach Stickers	9,900	13,395	3,495
Fees and Recreation Programs	122,239	134,390	12,151
Total Recreation Department	132,139	147,785	15,646
Library Revenue	0	3,031	3,031
Financial Management:			
Investment Interest	300	418	118
Total Financial Management	300	418	118
Miscellaneous Revenue:			
Insurance Claims	0	24,234	24,234
First Aid and Rescue Miscellaneous	0	1,139	1,139
Fire/Rescue Grants/Other	5,000	9,413	4,413
Other	5,200	12,326	7,126
Payment in Lieu of Taxes	5,800	6,242	442
State Current Use Tax Payment	113,000	114,992	1,992
Act 60 Administration	41,000	44,761	3,761
Cellular Tower Fees	71,300	78,757	7,457
Mooring Fees	49,750	51,750	2,000
CSSU Village Center Lease	64,000	64,000	0
CSSU Building Maintenance Allocation	37,400	35,796	(1,604)
Use of Town Hall/Town Center	11,000	12,476	1,476
Pierson Building Lease	28,568	30,047	1,479
Total Miscellaneous Revenue	432,018	485,933	53,915
Total Revenues	6,825,305	6,932,723	107,418
Expenditures:			
Selectboard:			
Salaries	6,300	6,300	0
Selectboard's Expenses	7,700	5,952	1,748
VLCT Dues	8,230	8,230	0
Town Reports	2,100	2,126	(26)
Total Selectboard	24,330	22,608	1,722
Legal Services	30,000	27,531	2,469

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Administration - Municipal Offices:			
Office Supplies	\$ 7,000	\$ 5,500	\$ 1,500
Computer Hardware	7,000	7,634	(634)
Telephone	10,700	3,467	7,233
Computer Software	4,500	3,287	1,213
Technical Assistance	5,000	8,162	(3,162)
Training	8,400	792	7,608
Office Equipment and Repair	1,000	597	403
Postage	19,000	17,188	1,812
Copier Expense	5,800	5,864	(64)
Computer Technical Assistance	10,000	20,923	(10,923)
CSSU Data Line	3,100	3,044	56
	<u>81,500</u>	<u>76,458</u>	<u>5,042</u>
Town Manager:			
Salaries	143,725	126,064	17,661
Manager's Expenses	2,300	1,138	1,162
Vehicle Expense	2,500	2,000	500
Emergency Management	1,000	1,203	(203)
	<u>149,525</u>	<u>130,405</u>	<u>19,120</u>
Elections:			
Salaries	6,500	4,361	2,139
Election Expense	4,000	4,247	(247)
BCA Expenses	500	373	127
	<u>11,000</u>	<u>8,981</u>	<u>2,019</u>
Finance and Insurance:			
Salaries	167,814	168,721	(907)
Property and Liability Insurance	199,700	211,501	(11,801)
Insurance Claims - Deductible	5,000	18,043	(13,043)
Auditing	15,340	15,234	106
	<u>387,854</u>	<u>413,499</u>	<u>(25,645)</u>
Town Clerk/Treasurer:			
Salaries	129,105	130,119	(1,014)
Expense	2,000	1,345	655
Office Expenses	6,000	6,116	(116)
Microfilming and Preservation	5,000	1,929	3,071
Records Automation	70,000	27,370	42,630
Computer Software and Hardware	1,000	0	1,000
	<u>213,105</u>	<u>166,879</u>	<u>46,226</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Planning and Zoning:			
Salaries	\$ 144,736	\$ 145,689	\$ (953)
Planning Expense	6,800	7,202	(402)
Conference and Training	900	450	450
Town Plan and Special Projects	34,000	15,699	18,301
Planning Assistance	6,500	5,731	769
Independent Technical Review	3,000	0	3,000
GIS Software	4,400	4,247	153
	<u>200,336</u>	<u>179,018</u>	<u>21,318</u>
Assessor's Office:			
Salaries	36,476	36,476	0
Administrative Assistant	26,654	27,575	(921)
Assessor Expenses	3,500	2,636	864
	<u>66,630</u>	<u>66,687</u>	<u>(57)</u>
Buildings and Grounds:			
Salaries	95,474	90,099	5,375
Town Center Operating Expenses	37,000	42,526	(5,526)
Town Parade Ground Expenses	0	301	(301)
Town Center Building Maintenance	9,600	2,540	7,060
Town Hall Operating Expense	1,600	1,443	157
Town Hall Building Maintenance	3,700	469	3,231
Town Hall Heating Fuel	7,700	7,414	286
Town Center Heating Fuel	18,100	23,185	(5,085)
Town Center Utilities	50,550	48,639	1,911
Pierson Building Utilities and Maintenance	5,000	401	4,599
Recreation Fields Maintenance	10,000	7,153	2,847
Capital Projects	35,000	33,244	1,756
Grant Expense	0	3,015	(3,015)
	<u>273,724</u>	<u>260,429</u>	<u>13,295</u>
Public Works:			
Storkwater Permits	9,300	9,698	(398)
Stormwater Maintenance	8,000	6,605	1,395
Munro Brook Flow Restoration Project	25,000	28,577	(3,577)
	<u>42,300</u>	<u>44,880</u>	<u>(2,580)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Harbormaster:			
Salaries	\$ 5,000	\$ 5,001	\$ (1)
Mooring Inspection/Maintenance	13,600	15,659	(2,059)
Seasonal Dock Installation/Removal	5,700	2,100	3,600
Maintenance/Administration	<u>300</u>	<u>2,484</u>	<u>(2,184)</u>
Total Harbormaster	<u>24,600</u>	<u>25,244</u>	<u>(644)</u>
Police Department:			
Salaries	821,833	757,032	64,801
Overtime Salaries	110,037	124,693	(14,656)
Special Duty Details	25,000	16,748	8,252
Office	8,000	11,237	(3,237)
Telephone	11,400	10,755	645
Radio Expense	10,000	11,988	(1,988)
Travel and Conferences	2,500	2,073	427
Photos	6,000	2,557	3,443
Training	8,000	7,478	522
Gasoline	50,400	35,664	14,736
Tires	4,900	2,689	2,211
Vehicle Maintenance and Repairs	9,500	8,819	681
General Equipment	4,000	5,120	(1,120)
Fingerprint Equipment and Supplies	3,000	3,779	(779)
Uniform Purchases	8,000	9,273	(1,273)
Uniform Cleaning	4,000	3,672	328
Computer Maintenance	10,760	10,733	27
Building Maintenance	2,000	3,316	(1,316)
Matching Funds	1,000	0	1,000
Capital Improvement	5,150	760	4,390
Animal Enforcement	2,750	1,325	1,425
Police/C.U.S.I	11,427	11,427	0
Other Grants	0	19,468	(19,468)
Governors Highway Safety Grants	<u>0</u>	<u>41,972</u>	<u>(41,972)</u>
Total Police Department	<u>1,119,657</u>	<u>1,102,578</u>	<u>17,079</u>
Fire Department:			
Salaries	35,000	34,612	388
Office Supplies and Phones	6,440	5,441	999
Building Heat and Service	9,500	4,694	4,806
Fire Prevention - Training	6,000	5,161	839
Radio Maintenance	5,300	3,974	1,326
Protective Clothing	17,550	17,202	348
Gas and Oil	6,000	3,758	2,242
Fire Fighting Supplies	5,000	3,215	1,785
Equipment Maintenance	25,100	26,530	(1,430)
Building Maintenance	3,000	6,508	(3,508)
Equipment	11,250	13,388	(2,138)

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Fire Department/(Cont'd):			
Improvements	\$ 50,000	\$ 53,082	\$ (3,082)
Rescue Boat Expense	2,460	3,656	(1,196)
Periodicals	2,000	2,021	(21)
Physicals/RFT Test	3,000	1,311	1,689
Membership Events and Incentives	5,500	6,006	(506)
Fire/Marine Apparatus	<u>0</u>	<u>1,610</u>	<u>(1,610)</u>
Total Fire Department	<u>193,100</u>	<u>192,169</u>	<u>931</u>
Public Safety and Dispatch:			
Dispatch Salaries	366,485	316,829	49,656
Overtime Salaries	45,316	65,830	(20,514)
Training	3,000	1,663	1,337
Uniforms	2,100	967	1,133
Capital Improvements	6,000	5,061	939
Dispatch Radio Equipment	20,320	17,425	2,895
Computer Use	<u>17,100</u>	<u>11,931</u>	<u>5,169</u>
Total Public Safety and Dispatch	<u>460,321</u>	<u>419,706</u>	<u>40,615</u>
Public Works - Highways:			
Salaries	261,298	249,393	11,905
Overtime Salaries	27,648	29,369	(1,721)
Interdepartmental Assistance	1,835	944	891
Road Maintenance	30,000	29,208	792
Drainage System/Culvert Maintenance	15,000	9,602	5,398
Construction Projects	45,000	57,656	(12,656)
Retreatment/Repaving	360,000	385,086	(25,086)
Sidewalk/Paths Engineering	1,000	844	156
Garage Heating Fuel	7,100	7,841	(741)
Engineering Services	1,500	2,903	(1,403)
Street Signs	3,000	4,510	(1,510)
Winter Sand	6,000	3,180	2,820
Winter Salt	90,000	103,216	(13,216)
Garage Utilities	11,400	11,144	256
Uniforms	4,000	3,304	696
Gas and Diesel	35,000	26,780	8,220
Equipment Repair and Maintenance	47,000	50,745	(3,745)
Street and Caution Lights	9,500	9,200	300
Garage Supplies	5,000	2,638	2,362
Building Maintenance	5,000	720	4,280
Line Striping and Crosswalks	5,500	3,374	2,126
Street Lights Upgrade	20,000	11,567	8,433
Grant Expense Route 7 Sidewalk	0	10,145	(10,145)
Other Expenses	<u>0</u>	<u>603</u>	<u>(603)</u>
Total Public Works - Highways	<u>991,781</u>	<u>1,013,972</u>	<u>(22,191)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Health and Social Services:			
Health Officer Salary	\$ 875	\$ 0	\$ 875
United Way Donation	38,000	38,000	0
Health Officer Expenses	450	25	425
Total Health and Social Services	39,325	38,025	1,300
Rescue:			
Medical Supplies	20,000	22,563	(2,563)
Rescue Overtime	842	0	842
Uniforms	2,500	757	1,743
Operating	15,500	17,976	(2,476)
Transport Billing Expense	17,000	18,527	(1,527)
Oxygen	3,100	3,782	(682)
Training	5,000	1,505	3,495
Office	2,000	2,004	(4)
Office Equipment	1,000	353	647
Communications	3,000	3,728	(728)
Vehicle	12,000	11,987	13
Building Heating Fuel	2,300	2,318	(18)
Building Utilities	6,030	5,007	1,023
Building Maintenance	5,500	4,147	1,353
Volunteer Compensation	16,500	17,102	(602)
Volunteer Incentive Compensation	66,000	31,114	34,886
Compensation - Full Part-Time	58,703	85,683	(26,980)
Capital Improvements	200,000	189,296	10,704
Immunizations	150	20	130
Public Education	500	0	500
Total Rescue	437,625	417,869	19,756
Cemeteries:			
Salaries	28,492	23,992	4,500
Supplies and Tools	800	848	(48)
Committee Expenses	100	0	100
Gas Expense	1,200	773	427
Equipment Maintenance	800	740	60
Equipment Purchases	250	25	225
Capital Projects	5,000	5,000	0
Outside Services	2,800	2,681	119
Miscellaneous	0	800	(800)
Cremation Garden	1,000	651	349
Total Cemeteries	40,442	35,510	4,932

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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Recreation:			
Administrative Salaries	\$ 86,649	\$ 87,103	\$ (454)
Administration Expenses	10,375	9,736	639
Public Information	6,890	6,179	711
Beach Salaries	15,988	16,026	(38)
Equipment	1,375	1,295	80
Utilities	1,833	2,287	(454)
Beach Capital Improvements	21,000	18,528	2,472
Adult Sports Leagues	100	138	(38)
Dog Obedience	3,150	2,475	675
Dog Park Expense	1,160	0	1,160
Davis Park	1,540	17,129	(15,589)
Park Maintenance	5,880	6,325	(445)
Martial Arts	2,405	1,800	605
Beach Maintenance	4,500	4,719	(219)
Lacrosse Programs	9,213	6,440	2,773
Swim Lessons	50	9	41
Youth Basketball	3,882	2,472	1,410
Babe Ruth Baseball	3,550	3,361	189
Softball	4,102	3,253	849
Youth Soccer	9,195	7,328	1,867
Little League Baseball	20,275	23,816	(3,541)
Recreation Programs - Non-League	27,725	24,770	2,955
Special Events and Concerts	12,600	11,989	611
Ski Program	6,915	8,390	(1,475)
	<u>260,352</u>	<u>265,568</u>	<u>(5,216)</u>
Total Recreation			
Library:			
Salaries	186,867	189,588	(2,721)
Supplies	5,500	9,107	(3,607)
Materials	40,750	42,106	(1,356)
Materials Replace 2014 Damage	0	10,010	(10,010)
Building	6,500	6,679	(179)
Utilities	15,700	14,816	884
Equipment Purchase and Maintenance	1,800	2,257	(457)
Public Information	1,000	691	309
Administrative	2,000	2,999	(999)
Programs	4,500	3,793	707
Computer Hardware and Software	6,450	6,612	(162)
	<u>271,067</u>	<u>288,658</u>	<u>(17,591)</u>
Total Library			

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Debt Management:			
Fire Truck Note	\$ 51,985	\$ 51,773	\$ 212
Town Center Project	324,041	324,041	0
Highway Sand and Salt Shed	31,828	31,828	0
Recreation Fields Project	112,459	112,459	0
Bike Path Bond 2008 Issue	27,694	27,694	0
Recreation Path Bond 2010 Issue	29,684	29,423	261
Beach Sea Wall 2010 Issue	17,494	17,433	61
Beaver Creek 2010 Issue	50,720	50,719	1
Dispatch Radio Equipment	18,000	17,798	202
Mount Philo Sidewalk 2010	5,181	5,169	12
Harbor Road Sidewalk	34,788	34,788	0
Total Debt Management	<u>703,874</u>	<u>703,125</u>	<u>749</u>
Intergovernmental:			
County Tax	66,297	66,511	(214)
G.B.I.C.	1,200	1,200	0
Chittenden County Regional Planning	18,354	18,354	0
Chittenden County Transit Authority	92,745	92,745	0
Total Intergovernmental	<u>178,596</u>	<u>178,810</u>	<u>(214)</u>
Employee Benefits:			
Retirement	142,273	141,249	1,024
Unemployment Compensation	6,326	1,341	4,985
HRA Expenses	136,780	178,991	(42,211)
Health Insurance/Flex Spending Administration Expense	21,500	23,663	(2,163)
Social Security	218,831	217,285	1,546
Health Insurance	492,419	489,437	2,982
Long-Term Disability Insurance	21,288	13,627	7,661
Dental and Life Insurance	44,045	46,189	(2,144)
Employee Assistance Program	700	710	(10)
Employee Events/Recognition	0	1,258	(1,258)
Immunizations	1,000	0	1,000
Total Employee Benefits	<u>1,085,162</u>	<u>1,113,750</u>	<u>(28,588)</u>
Miscellaneous:			
Selectboard Discretionary	3,700	2,774	926
Community Events	1,500	1,277	223
Tree Conservation	1,000	2,900	(1,900)
Community Support	3,500	3,983	(483)
Transfer to Hydrant Maintenance	0	1,830	(1,830)
Compost Bin Sales	0	1,000	(1,000)
RBS Business Development Grant	0	8,855	(8,855)
Miscellaneous Expense	0	9,933	(9,933)
Total Miscellaneous	<u>9,700</u>	<u>32,552</u>	<u>(22,852)</u>
Total Expenditures	<u>7,295,906</u>	<u>7,224,911</u>	<u>70,995</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Excess/(Deficiency) of Revenues Over Expenditures	\$ <u>(470,601)</u>	\$ <u>(292,188)</u>	\$ <u>178,413</u>
Other Financing Sources/(Uses):			
Transfer from Records Preservation Fund	70,000	27,370	(42,630)
Transfer from Cemetery Fund	8,000	8,000	0
Transfer from Baseball Fund	8,125	8,512	387
Transfer from Recreation-Other	0	720	720
Transfer from Tree Fund	0	1,015	1,015
Transfer from Ambulance Fund	461,301	416,731	(44,570)
Transfer from Recreation Impact Fees	75,000	75,000	0
Transfer to Dog Park Fund	0	(820)	(820)
Transfer to Bay Park Fund	(8,500)	(8,500)	0
Transfer to Police Cruiser Fund	(43,725)	(43,725)	0
Transfer to Highway Equipment Replacement Fund	(131,000)	(131,000)	0
Transfer to Cemetery Tractor Fund	(1,600)	(1,600)	0
Transfer to Community Fund	(2,000)	(2,000)	0
Transfer to Open Space Fund	<u>(25,000)</u>	<u>(25,000)</u>	<u>0</u>
Total Other Financing Sources/(Uses)	<u>410,601</u>	<u>324,703</u>	<u>(85,898)</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing/(Uses)	\$ <u><u>(60,000)</u></u>	32,515	\$ <u><u>92,515</u></u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Ambulance Fund Revenues		267,566	
Ambulance Fund Transfer		(416,731)	
Road Cut Deposit Revenue		2,750	
Road Cut Deposit Expenditures		(2,250)	
Landscape Escrow Revenue		4,750	
Escrow-Lilly Creek Paving		<u>(10,100)</u>	
Net Change in Fund Balance		(121,500)	
Fund Balance - July 1, 2014, as Restated		<u>1,128,182</u>	
Fund Balance - June 30, 2015		\$ <u><u>1,006,682</u></u>	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2015

	<u>2015</u>
Total Plan Net Pension Liability	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.6842%
Town's Proportionate Share of the Net Pension Liability	\$ 62,440
Town's Covered Employee Payroll	\$ 1,687,080
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	3.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability as of June 30, 2014	98.32%

Notes to the Schedule:

Benefit Changes: none

Changes in Assumptions: none

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

	2015
Contractually Required Contributions (Actuarially Determined)	\$ 97,366
Contributions in Relation to the Actuarially Determined Contributions	97,366
Contribution Excess/(Deficiency)	\$ 0
Covered Employee Payroll	\$ 1,687,080
Contributions as a Percentage of Covered Employee Payroll	5.77%

Notes to the Schedule:

Valuation Date: June 30, 2014

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 139,256	\$ 23,294	\$ 21,048	\$ 183,598
Investments	140,488	0	261,649	402,137
Receivables (Net of Allowance for Uncollectibles)	1,864	0	0	1,864
Due from Other Funds	<u>428,029</u>	<u>454,810</u>	<u>92,206</u>	<u>975,045</u>
Total Assets	<u>\$ 709,637</u>	<u>\$ 478,104</u>	<u>\$ 374,903</u>	<u>\$ 1,562,644</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ 36,495	\$ 2,155	\$ 0	\$ 38,650
Due to Other Funds	<u>2,731</u>	<u>0</u>	<u>39,441</u>	<u>42,172</u>
Total Liabilities	<u>39,226</u>	<u>2,155</u>	<u>39,441</u>	<u>80,822</u>
 <u>FUND BALANCES</u>				
Restricted	292,138	326,019	335,462	953,619
Committed	245,431	126,802	0	372,233
Assigned	<u>132,842</u>	<u>23,128</u>	<u>0</u>	<u>155,970</u>
Total Fund Balances	<u>670,411</u>	<u>475,949</u>	<u>335,462</u>	<u>1,481,822</u>
Total Liabilities and Fund Balances	<u>\$ 709,637</u>	<u>\$ 478,104</u>	<u>\$ 374,903</u>	<u>\$ 1,562,644</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 27,987	\$ 3,376	\$ 0	\$ 31,363
Charge for services	18,391	0	0	18,391
Investment Income/(Loss)	844	48	(17,929)	(17,037)
Fees and Licenses	28,158	11,760	6,975	46,893
Contributions	126,924	12,399	7,562	146,885
Other Revenue	<u>0</u>	<u>28,159</u>	<u>0</u>	<u>28,159</u>
Total Revenues	<u>202,304</u>	<u>55,742</u>	<u>(3,392)</u>	<u>254,654</u>
Expenditures:				
General Government	5,327	0	0	5,327
Public Safety	0	7,128	0	7,128
Recreation and Parks	38,773	0	0	38,773
Highway and Public Works	0	2,191	0	2,191
Cemetery	0	0	1,240	1,240
Library	0	0	6,722	6,722
Capital Outlay:				
Recreation and Parks	100,067			100,067
Public Safety	0	70,471	0	70,471
Highways and Public Works	0	113,153	0	113,153
Debt Service:				
Principal	0	52,000	0	52,000
Interest	<u>0</u>	<u>2,400</u>	<u>0</u>	<u>2,400</u>
Total Expenditures	<u>144,167</u>	<u>247,343</u>	<u>7,962</u>	<u>399,472</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>58,137</u>	<u>(191,601)</u>	<u>(11,354)</u>	<u>(144,818)</u>
Other Financing Sources/(Uses):				
Proceeds from Long-Term Debt	0	100,000	0	100,000
Transfers In	29,420	208,225	0	237,645
Transfers Out	<u>(112,617)</u>	<u>0</u>	<u>(33,000)</u>	<u>(145,617)</u>
Total Other Financing Sources/(Uses)	<u>(83,197)</u>	<u>308,225</u>	<u>(33,000)</u>	<u>192,028</u>
Net Change in Fund Balances	(25,060)	116,624	(44,354)	47,210
Fund Balances - July 1, 2014, As Restated	<u>695,471</u>	<u>359,325</u>	<u>379,816</u>	<u>1,434,612</u>
Fund Balances - June 30, 2015	<u>\$ 670,411</u>	<u>\$ 475,949</u>	<u>\$ 335,462</u>	<u>\$ 1,481,822</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	Recreation Related Funds	ACT 60 Reappraisal Fund	Library Freeman Grant Fund	Open Land Trust Fund	Record Preservation Fund	Other Funds	Total
<u>ASSETS</u>							
Cash	\$ 1,098	\$ 132,842	\$ 0	\$ 0	\$ 0	\$ 5,316	\$ 139,256
Investments	140,488	0	0	0	0	0	140,488
Receivables (Net of Allowance for Uncollectibles)	1,864	0	0	0	0	0	1,864
Due from Other Funds	<u>3,734</u>	<u>0</u>	<u>224</u>	<u>236,155</u>	<u>123,370</u>	<u>64,546</u>	<u>428,029</u>
Total Assets	<u>\$ 147,184</u>	<u>\$ 132,842</u>	<u>\$ 224</u>	<u>\$ 236,155</u>	<u>\$ 123,370</u>	<u>\$ 69,862</u>	<u>\$ 709,637</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 3,980	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,515	\$ 36,495
Due to Other Funds	<u>2,731</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,731</u>
Total Liabilities	<u>6,711</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,515</u>	<u>39,226</u>
<u>FUND BALANCES</u>							
Restricted	140,473	0	224	0	123,370	28,071	292,138
Committed	0	0	0	236,155	0	9,276	245,431
Assigned	<u>0</u>	<u>132,842</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>132,842</u>
Total Fund Balances	<u>140,473</u>	<u>132,842</u>	<u>224</u>	<u>236,155</u>	<u>123,370</u>	<u>37,347</u>	<u>670,411</u>
Total Liabilities and Fund Balances	<u>\$ 147,184</u>	<u>\$ 132,842</u>	<u>\$ 224</u>	<u>\$ 236,155</u>	<u>\$ 123,370</u>	<u>\$ 69,862</u>	<u>\$ 709,637</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Recreation Related Funds	ACT 60 Reappraisal Fund	Library Freemen Grant Fund	Open Land Trust Fund	Record Preservation Fund	Other Funds	Total
Revenues:							
Intergovernmental	\$ 0	\$ 27,987	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,987
Investment Income	547	57	0	108	61	71	844
Fees and licenses	0	0	0	0	28,124	34	28,158
Charge for services	18,391	0	0	0	0	0	18,391
Contributions	45,562	0	0	0	0	81,362	126,924
Total Revenues	64,500	28,044	0	108	28,185	81,467	202,304
Expenditures:							
General Government	0	5,327	0	0	0	0	5,327
Recreation and Parks	32,224	0	0	0	0	6,549	38,773
Capital Outlay:							
Recreation and Parks	0	0	0	0	0	100,067	100,067
Total Expenditures	32,224	5,327	0	0	0	106,616	144,167
Excess/(Deficiency) of Revenues Over Expenditures	32,276	22,717	0	108	28,185	(25,149)	58,137
Other Financing Sources/(Uses):							
Transfers In	820	0	0	25,000	0	3,600	29,420
Transfers Out	(84,232)	0	0	0	(27,370)	(1,015)	(112,617)
Total Other Financing Sources/(Uses)	(83,412)	0	0	25,000	(27,370)	2,585	(83,197)
Net Change in Fund Balances	(51,136)	22,717	0	25,108	815	(22,564)	(25,060)
Fund Balances - July 1, 2014	191,609	110,125	224	211,047	122,555	59,911	695,471
Fund Balances - June 30, 2015	\$ 140,473	\$ 132,842	\$ 224	\$ 236,155	\$ 123,370	\$ 37,347	\$ 670,411

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Police Fund	Total
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,294	\$ 23,294
Due from Other Funds	<u>35,522</u>	<u>10,000</u>	<u>36,760</u>	<u>254,175</u>	<u>23,128</u>	<u>95,225</u>	<u>454,810</u>
Total Assets	<u>\$ 35,522</u>	<u>\$ 10,000</u>	<u>\$ 36,760</u>	<u>\$ 254,175</u>	<u>\$ 23,128</u>	<u>\$ 118,519</u>	<u>\$ 478,104</u>
<u>LIABILITIES</u>							
Accounts Payable	<u>\$ 0</u>	<u>\$ 2,155</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,155</u>
Total Liabilities	<u>0</u>	<u>2,155</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,155</u>
<u>FUND BALANCES</u>							
Restricted	0	7,845	36,760	254,175	0	27,239	326,019
Committed	35,522	0	0	0	0	91,280	126,802
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,128</u>	<u>0</u>	<u>23,128</u>
Total Fund Balances	<u>35,522</u>	<u>7,845</u>	<u>36,760</u>	<u>254,175</u>	<u>23,128</u>	<u>118,519</u>	<u>475,949</u>
Total Liabilities and Fund Balances	<u>\$ 35,522</u>	<u>\$ 10,000</u>	<u>\$ 36,760</u>	<u>\$ 254,175</u>	<u>\$ 23,128</u>	<u>\$ 118,519</u>	<u>\$ 478,104</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Bay Park Fund	Pinehaven Stormwater Fund	Library Building Fund	Highway Equipment Fund	Highway Salt.Sand Shed Fund	Police Fund	Total
Revenue:							
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,376	\$ 3,376
Contributions	0	10,000	0	1,349	0	1,050	12,399
Fees and Licenses	0	0	11,760	0	0	0	11,760
Interest on Investments	0	0	0	0	0	48	48
Other	0	0	0	0	0	28,159	28,159
Total Revenue	<u>0</u>	<u>10,000</u>	<u>11,760</u>	<u>1,349</u>	<u>0</u>	<u>32,633</u>	<u>55,742</u>
Expenditures:							
Public Safety	0	0	0	0	0	7,128	7,128
Highway and Public Works	0	2,155	0	36	0	0	2,191
Capital Outlays:							
Highways and Public Works	0	0	0	113,153	0	0	113,153
Public Safety	0	0	0	0	0	70,471	70,471
Debt Service - Interest	0	0	0	2,400	0	0	2,400
Debt Service - Principal	0	0	0	52,000	0	0	52,000
Total Expenditures	<u>0</u>	<u>2,155</u>	<u>0</u>	<u>167,589</u>	<u>0</u>	<u>77,599</u>	<u>247,343</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>0</u>	<u>7,845</u>	<u>11,760</u>	<u>(166,240)</u>	<u>0</u>	<u>(44,966)</u>	<u>(191,601)</u>
Other Financing Sources/(Uses):							
Loan Proceeds	0	0	0	100,000	0	0	100,000
Transfers In	8,500	0	25,000	131,000	0	43,725	208,225
Total Other Financing Sources/(Uses)	<u>8,500</u>	<u>0</u>	<u>25,000</u>	<u>231,000</u>	<u>0</u>	<u>43,725</u>	<u>308,225</u>
Excess/(Deficiency) of Revenues and Other Financing Sources/(Uses) Over Expenditures	8,500	7,845	36,760	64,760	0	(1,241)	116,624
Fund Balance - July 1, 2014, restated	<u>27,022</u>	<u>0</u>	<u>0</u>	<u>189,415</u>	<u>23,128</u>	<u>119,760</u>	<u>359,325</u>
Fund Balance - June 30, 2015	<u>\$ 35,522</u>	<u>\$ 7,845</u>	<u>\$ 36,760</u>	<u>\$ 254,175</u>	<u>\$ 23,128</u>	<u>\$ 118,519</u>	<u>\$ 475,949</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2015

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
<u>ASSETS</u>				
Cash	\$ 21,048	\$ 0	\$ 0	\$ 21,048
Investments	0	166,690	94,959	261,649
Due from Other Funds	0	64,627	27,579	92,206
Total Assets	\$ 21,048	\$ 231,317	\$ 122,538	\$ 374,903
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ 0	\$ 0	\$ 39,441	\$ 39,441
Total Liabilities	0	0	39,441	39,441
Fund Balances:				
Restricted	21,048	231,317	83,097	335,462
Total Fund Balances	21,048	231,317	83,097	335,462
Total Liabilities and Fund Balances	\$ 21,048	\$ 231,317	\$ 122,538	\$ 374,903

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHELBURNE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund	Total
Revenues:				
Contributions and Grants	\$ 7,562	\$ 0	\$ 0	\$ 7,562
Fees and Licenses	0	6,975	0	6,975
Investment Income (Loss)	411	(1,348)	(16,992)	(17,929)
Total Revenues	<u>7,973</u>	<u>5,627</u>	<u>(16,992)</u>	<u>(3,392)</u>
Expenditures:				
Cemetery	0	1,240	0	1,240
Library	6,722	0	0	6,722
Total Expenditures	<u>6,722</u>	<u>1,240</u>	<u>0</u>	<u>7,962</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>1,251</u>	<u>4,387</u>	<u>(16,992)</u>	<u>(11,354)</u>
Other Financing Sources/(Uses):				
Transfers In	0	0	0	0
Transfers Out	(25,000)	(8,000)	0	(33,000)
Total Other Financing Sources/(Uses)	<u>(25,000)</u>	<u>(8,000)</u>	<u>0</u>	<u>(33,000)</u>
Net Change in Fund Balances	(23,749)	(3,613)	(16,992)	(44,354)
Fund Balances - July 1, 2014, As Restated	<u>44,797</u>	<u>234,930</u>	<u>100,089</u>	<u>379,816</u>
Fund Balances - June 30, 2015	<u>\$ 21,048</u>	<u>\$ 231,317</u>	<u>\$ 83,097</u>	<u>\$ 335,462</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, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Sales	\$ 858,818	\$ 885,032	\$ 26,214
Cut-Ins	15,000	21,000	6,000
Interest Income	2,900	3,211	311
Hydrant Maintenance Fees	6,300	6,400	100
Turn On/Off and Final Bill Charges	4,000	4,225	225
Tank Space Rent	26,374	26,374	0
Interest and Penalties	12,000	10,875	(1,125)
Transfer from General Fund	1,830	1,830	0
Transfer from Sewer Fund	18,196	18,196	0
Charges for Materials, Services and Miscellaneous	1,000	9,512	8,512
Total Revenues	946,418	986,655	40,237
Expenses and Transfers:			
Accounting and Auditing	2,266	2,266	0
Building Maintenance	1,000	0	1,000
Computer Services	2,000	163	1,837
Contractors and Equipment Rental	60,800	149,364	(88,564)
Debt Service	118,355	118,558	(203)
Debt Bond Bank Refunding Credit	(27,321)	(27,321)	0
Employee Insurance - Dental, Disability and Life	5,169	5,047	122
Employee Insurance - Health	60,349	63,837	(3,488)
Employee Retirement	9,403	9,406	(3)
Employee Salaries - Overtime	17,275	20,156	(2,881)
Employee Salaries - Regular	164,050	167,980	(3,930)
Employee Social Security	13,871	14,025	(154)
Engineering	8,000	6,465	1,535
Equipment and Large Tools	2,000	535	1,465
Hydrant Installation and Maintenance	5,000	6,694	(1,694)
Insurance - General	12,100	12,100	0
Legal	5,000	5,000	0
Materials	5,000	8,749	(3,749)
Meter Purchases and Replacement	6,000	7,797	(1,797)
Mileage	200	0	200
Miscellaneous	3,500	2,827	673
Office Supplies	1,700	1,319	381
Postage	2,600	2,795	(195)
Pump Station	3,000	4,606	(1,606)
Small Tools	1,000	238	762
State Water Quality Fee	7,424	7,967	(543)
Telephones/Pagers	3,800	3,616	184
Training	1,500	1,180	320
Uniforms	2,700	2,591	109
Valve Replacement/Maintenance	5,000	2,661	2,339
Vehicle Gas and Oil	8,000	6,054	1,946
Vehicle Repair and Maintenance	3,500	2,725	775
Water Purchases	323,527	347,194	(23,667)
Transfer to General Fund/(Administrative Services)	43,350	43,350	0
Transfer to Capital Improvement Fund	65,300	0	65,300
Total Expenses and Transfers	946,418	999,944	(53,526)
Net Income/(Loss)	\$ 0	(13,289)	\$ (13,289)
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation Expense		(110,526)	
Principal Payments		85,000	
Accrued Debt Interest Expense		(3,124)	
Change in Net Position - Exhibit G		\$ (41,939)	

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, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and Transfers:			
User Fees	\$ 1,647,036	\$ 1,683,028	\$ 35,992
Outside Septage	48,500	82,485	33,985
Interest and Penalties	25,000	25,324	324
Other	700	3,356	2,656
Transfer from Sewer Expansion Fund	70,000	70,000	0
	<u>1,791,236</u>	<u>1,864,193</u>	<u>72,957</u>
Expenses and Transfers:			
Wages - Regular	253,856	255,511	(1,655)
Wages - Overtime	23,714	24,502	(788)
Social Security	20,953	18,095	2,858
Health and Dental Insurance	74,865	79,358	(4,493)
Employee Retirement	14,641	10,734	3,907
Other Employee Benefits	6,595	8,644	(2,049)
Chemicals	38,500	34,170	4,330
Collection System Capital Improvements	0	25,359	(25,359)
Collection System Maintenance	80,000	46,741	33,259
Debt Service	637,346	652,873	(15,527)
Electricity	174,490	167,368	7,122
Fines	0	2,100	(2,100)
Heating Fuel	24,830	22,064	2,766
Lab Testing and Equipment	21,000	20,577	423
Miscellaneous Expense	3,500	4,491	(991)
Office Expense	9,000	11,434	(2,434)
Permits	2,000	1,739	261
Plant Maintenance	104,000	111,031	(7,031)
Plant Capital Improvements	0	34,057	(34,057)
Professional Services (Legal, Accounting, Engineering)	12,900	9,108	3,792
Insurance, Property, Liability and Workers Compensation	33,500	31,582	1,918
Safety Equipment	1,500	629	871
SCADA System Maintenance	8,000	1,150	6,850
Sludge Disposal	90,000	181,890	(91,890)
Training/Travel	5,000	3,361	1,639
Transfer to Capital Improvement Fund	60,000	60,000	0
Transfer to General Fund (Administrative Services)	43,350	43,350	0
Transfer to Water Fund (Meter Reading Services)	18,196	18,196	0
Truck Expense	15,000	14,747	253
Utilities (Phone, Telemetry, Water)	14,500	9,331	5,169
	<u>1,791,236</u>	<u>1,904,192</u>	<u>(112,956)</u>
Net Income/(Loss)	\$ <u>0</u>	(39,999)	\$ <u>(39,999)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Transfer from Sewer Capacity Fund		(10,000)	
Capacity Fund Interest Income		1,448	
Depreciation Expense		(414,271)	
Debt Principal		630,827	
SERF Loan Forgiveness		13,697	
Capital Projects		59,415	
Capacity Fund Connection Fees		39,813	
Change in Net Position - Exhibit G		\$ <u>280,930</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

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

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shelburne, Vermont, as of and for the year ended June 30, 2015, 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 5, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Shelburne, Vermont's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Deficiencies in Internal Control as Items 2015-1 and 2015-2 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described the accompanying Schedule of Deficiencies in Internal Control as Item 2015-3 to be a significant deficiency.

Compliance and Other Matters

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

However, we have noted certain other matters that we reported to the management of the Town of Shelburne, Vermont in a separate letter dated February 5, 2016.

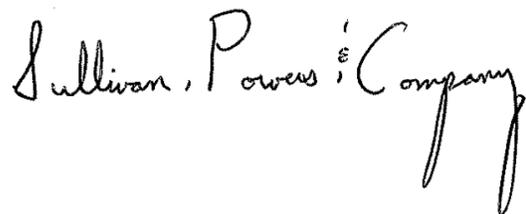
Town of Shelburne, Vermont's Responses to the Deficiencies in Internal Control

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 5, 2016
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

Deficiencies in Internal Control:

Material Weaknesses:

2015-1 Segregation of Duties - Cash

Criteria:

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common divisions of duties is the division between the check signing and bank reconciliation functions.

Condition:

In the Town, two individuals reconcile the various bank accounts. These individuals also have other duties such as collecting cash, posting to the journals and making deposits. One individual has check signing authority and the other can make electronic transfers from the account. No one reviews their bank reconciliations.

Cause:

Unknown.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

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

Management Response:

Currently, the Treasurer reconciles all bank accounts, with the exception of the Town's primary checking account with Citizens Bank, which is reconciled by the Finance Director. Checking and savings accounts are reconciled as statements are received. All work papers associated with these reconciliations are kept in the Treasurer's office. In response to this finding, effective as of the date of this Audit Report, the Treasurer will review all bank reconciliations performed by the Finance Director and the Finance Director will review all bank reconciliations performed by the Treasurer. If the Treasurer or Finance Director are not able to provide this review, it will be performed by the Assistant Treasurer or Town Manager. This review will be noted in writing, initialed, dated on the work papers and kept on file in the Treasurer's office.

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

2015-2 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. There is no documentation authorizing the transfers.

Cause:

Unknown.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

All electronic transfers should 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.

Management Response:

Whenever possible, electronic funds transfers are processed as part of the weekly Accounts Payable batches and listed on the Payables Warrant signed by the Treasurer and Selectboard. In some cases, depending on vendor requirements, electronic funds transfer payments are sent separately from the weekly Accounts Payable batch (e.g. weekly payroll tax transfers). In these cases, documentation of the payments will be reviewed, acknowledged and retained by the Treasurer. The Assistant Treasurer, Finance Director or Town Manager will review and acknowledge payments initiated by the Treasurer. All electronic payments require two individuals to initiate the transaction by the bank. If a second individual is not available, the transaction can take place by using an administrative user account. Any transactions initiated this way will be reviewed and acknowledged by the Treasurer, Assistant Treasurer or Finance Director (other than the person who initiated the transaction).

TOWN OF SHELBURNE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

Significant Deficiencies:

2015-3 Reconciliation of Rec Track Revenues

Criteria:

Departments outside the central accounting function should be monitored to ensure cash they collect is deposited and all transactions are recorded.

Condition:

The Recreation Department collects fees for programs and records the status of participants in the Rec Track program. Cash collected and revenue for the various programs is not reconciled with the general ledger.

Cause:

Unknown.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

At least quarterly, the cash collected and revenues recorded in the Rec Track program should be reconciled with the general ledger. This review should be documented.

Management Response:

The Recreation Department utilizes the RECTRAC software program to record registrations and fees collected for most of the programs the department offers. On a quarterly basis or at the conclusion of a program, Recreation Department staff will prepare a report from RECTRAC of cash payments received for programs in that period. This will be reconciled to the cash payments recorded in the Town's accounting system for the same period. For payments received that are not recorded on the RECTRAC system (e.g. Beach passes), Recreation Department Staff will provide information from receipts, rosters, registrations, etc. indicating the total cash payments received. This information will be compared to the total cash payments recorded for these programs/special events on the Town's accounting system. All reconciliations performed will be reviewed and acknowledged by the Treasurer.