

TOWN OF SHOREHAM, VERMONT

Financial Statements

December 31, 2015

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Telling & Associates, CPA PC

Certified Public Accountants
5 Park Street – Middlebury, VT 05753

Independent Auditor's Report

To the Board of Selectmen
Town of Shoreham, Vermont
Shoreham, Vermont

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 Shoreham, Vermont, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the 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 above 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 Shoreham, Vermont, as of December 31, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of local government's proportionate share of net pension liability, and schedule of the local government contributions on pages 3-9 and 35-38 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 Shoreham, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Telling & Associates, CPA PC.

Telling & Associates, CPA PC
Middlebury, Vermont
June 29, 2017
License #092-0000692

**TOWN OF SHOREHAM, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015**

The following is a discussion and analysis of the Town of Shoreham, Vermont's financial performance for the fiscal year ended December 31, 2015. This section is a summary of the Town's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The Town of Shoreham, Vermont's revenues were \$3,093,822.

The Town of Shoreham, Vermont's expenditures were \$3,009,364.

The Town of Shoreham, Vermont's total assets, in accordance with GASB 34 accounting, were \$4,364,991.

The Town of Shoreham, Vermont's total liabilities, in accordance with GASB 34 accounting, were \$671,196.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: MD&A (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are Town-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the Town-wide statements. The fund financial statements concentrate on the Town's major funds with all other non-major funds listed in total in one column.
- The governmental funds statements tell how basic services such as highway and capital improvements were financed in the short term as well as what remains for future spending.
- The proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail.
- Fiduciary funds statements provide information about the financial relationship in which the Town acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Town's budget for the year.

Figure A-1 summarizes the major features of the Town’s financial statements, including the portion of the Town’s activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the Town-Wide and Fund Financial Statements

	Town-Wide	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town	The activities of the Town that are not propriety or fiduciary, such as public works	Wastewater fund	Instances in which the Town administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expense, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resource focus
Type of assets/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received

Government-Wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position – the difference between the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the Town's financial health or position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Town's overall health, you need to consider additional nonfinancial factors such as changes in the Town's property tax base and the condition of buildings and other facilities.

In the government-wide financial statements, the Town's activities are shown as Governmental Activities and Business-type Activities. Most of the Town's basic services are included here, such as general government, public works, and wastewater. Property taxes, state aid, and user fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds – not the Town as a whole. Funds are accounting devices the Town uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Town establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as state grants).

The Town has the following types of funds:

- **Governmental Funds:** All of the Town's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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.
- **Proprietary Funds:** The proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail.

- **Fiduciary Funds:** The Town is the trustee, or fiduciary, for assets that belong to others. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. The Town excludes these activities from the town-wide financial statements because it cannot use these assets to finance operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's total assets as of December 31, 2015 were \$4,364,991.

Total liabilities as of December 31, 2015 were \$671,196. The excess of revenues over expenditures resulted in the increase in net position.

All the changes are detailed as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 477,926	\$ 142,581	\$ 620,507
Capital assets	2,078,282	1,666,202	3,744,484
Total assets	<u>2,556,208</u>	<u>1,808,783</u>	<u>4,364,991</u>
Deferred outflows of resources	17,871	-	17,871
Total assets and deferred outflow of resources	<u>\$ 2,574,079</u>	<u>\$ 1,808,783</u>	<u>\$ 4,382,862</u>
Current liabilities	\$ 118,153	\$ 13,730	\$ 131,883
Long-term liabilities	295,999	243,314	539,313
Total liabilities	<u>414,152</u>	<u>257,044</u>	<u>671,196</u>
Deferred inflows of resources	1,156	-	1,156
Net position			
Net investment in capital assets	1,728,601	1,409,743	3,138,344
Restricted	161,828	-	161,828
Unrestricted	268,342	141,996	410,338
Total net position	<u>2,158,771</u>	<u>1,551,739</u>	<u>3,710,510</u>
Total liabilities, deferred inflows & net position	<u>\$ 2,574,079</u>	<u>\$ 1,808,783</u>	<u>\$ 4,382,862</u>

For the year ended December 31, 2015, total revenues were \$3,093,822.

For the year ended December 31, 2015 total expenditures were \$3,009,364.

All the changes are detailed as follows:

	Primary Government		
	Government al activities	Business- type Activities	Total
Revenues			
Program Revenues:			
Charges for services	\$ 40,582	\$ 58,501	\$ 99,083
Grants and contributions	125,506	-	125,506
General revenues:			
Property taxes	2,730,088	-	2,730,088
Grants and contributions not restricted to specific programs	120,365	-	120,365
Investment income	1,767	1,538	3,305
Miscellaneous	15,475	-	15,475
Total revenues	3,033,784	60,039	3,093,822
Program expenses:			
General government	241,044	-	241,044
Public safety	58,701	-	58,701
Public works	672,467	-	672,647
Education	1,908,951	-	1,908,951
Interest	3,861	-	3,861
Wastewater	-	124,340	124,340
Total expenses	2,885,024	124,340	3,009,364
Transfers	(22,505)	22,505	-
Change in net position	126,255	(41,796)	84,458
Net position – beginning of year	2,032,517	1,593,535	3,626,052
Net position – end of year	\$ 2,158,771	\$ 1,551,739	\$ 3,710,510

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the fund's projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from issuance of debt, the current payments for capital assets, and the current payment for debt in its revenue and expenditures.

General Fund Budgetary Highlights

The Town had a negative performance of expenditures with the budget of \$281,009 and actual performance of \$380,335.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2015, the Town had \$3,744,484 invested in capital assets (net of accumulated depreciation), compared to \$3,615,792 for the year ended December 31, 2014.

Capital Assets (Net of Depreciation)			
	Governmental Activities and Total Town		Percentage
	<u>Beginning</u>	<u>Ending</u>	<u>Change</u>
Governmental activities:			
Building and improvements	\$ 460,562	\$ 449,039	-2.5%
Construction in progress	-	13,759	100.0
Infrastructure	992,456	1,010,311	1.8
Vehicles	111,901	303,099	170.9
Machinery and equipment	319,897	302,074	-5.6
	<u>1,884,816</u>	<u>2,078,282</u>	<u>10.3</u>
Business-type activities:			
Land	60,000	60,000	0.0
Buildings and improvements	1,669,350	1,605,041	-3.9
Machinery and equipment	1,626	1,161	-28.6
	<u>1,730,976</u>	<u>1,666,202</u>	<u>-3.7</u>
	<u>\$ 3,615,792</u>	<u>\$ 3,744,484</u>	<u>3.6%</u>

Long-Term Debt

At year-end, the Town had \$640,083 in long-term liabilities that includes bonds payable of \$256,459 notes payable of \$349,681 and net pension liability of \$33,943.

	Total Town		Percentage Change
	Beginning	Ending	
Bonds payable	\$ 269,141	\$ 256,459	-4.7%
Notes payable	225,220	349,681	55.3
Net pension liability	4,372	33,943	676.3
Total	\$ 498,733	\$ 640,083	28.3%

FACTORS BEARING ON THE TOWN'S FUTURE

At the time these financial statements were prepared and audited, the Town was not aware of any circumstances that could affect its future financial health.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Town Office
 Town of Shoreham, Vermont
 297 Main Street
 Shoreham, VT 05770

TOWN OF SHOREHAM, VERMONT
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash	\$ 312,377	\$ 141,275	\$ 453,652
Accounts receivable	-	1,306	1,306
Delinquent taxes, interest, and penalties receivable	122,993	-	122,993
Due from other governments	41,391	-	41,391
Prepaid expenses	1,165	-	1,165
Total current assets	<u>477,926</u>	<u>142,581</u>	<u>620,507</u>
Noncurrent assets:			
Land, building, and equipment (net)	<u>2,078,282</u>	<u>1,666,202</u>	<u>3,744,484</u>
Total assets	2,556,208	1,808,783	4,364,991
Deferred outflows of resources			
Pensions	<u>17,871</u>	<u>-</u>	<u>17,871</u>
Total assets and deferred outflows of resources	\$ <u>2,574,079</u>	\$ <u>1,808,783</u>	\$ <u>4,382,862</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 22,596	\$ -	\$ 22,596
Accrued liabilities	7,932	585	8,517
Bond payable, current	-	13,145	13,145
Notes payable, current	87,625	-	87,625
Total current liabilities	<u>118,153</u>	<u>13,730</u>	<u>131,883</u>
Long term liabilities:			
Bond payable, less current portion	-	243,314	243,314
Notes payable, less current portion	262,056	-	262,056
Net pension liability	33,943	-	33,943
	<u>295,999</u>	<u>243,314</u>	<u>539,313</u>
Total liabilities	<u>414,152</u>	<u>257,044</u>	<u>671,196</u>
Deferred inflows of resources			
Pensions	<u>1,156</u>	<u>-</u>	<u>1,156</u>
Total deferred inflows of resources	<u>1,156</u>	<u>-</u>	<u>1,156</u>
Net Position			
Net investment in capital assets	1,728,601	1,409,743	3,138,344
Restricted	161,828	-	161,828
Unrestricted	268,342	141,996	410,338
Total net position	<u>2,158,771</u>	<u>1,551,739</u>	<u>3,710,510</u>
Total liabilities, deferred inflows of resources and fund net position	\$ <u>2,574,079</u>	\$ <u>1,808,783</u>	\$ <u>4,382,862</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Balance Sheet - Governmental Funds
December 31, 2015

	<u>General</u>	<u>Highway</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 208,564	\$ 82,205	\$ 21,608	\$ 312,377
Delinquent taxes, interest, and penalties receivable	122,993	-	-	122,993
Due from other governments	41,391	-	-	41,391
Prepaid expenses	1,165	-	-	1,165
Total assets	\$ 374,113	\$ 82,205	\$ 21,608	\$ 477,926
Liabilities				
Accounts payable	\$ 12,002	\$ 10,594	\$ -	\$ 22,596
Accrued liabilities	2,352	4,099	-	6,451
Unearned property taxes, interest, and penalties	103,939	-	-	103,939
Total liabilities	118,293	14,693	-	132,986
Fund Balance				
Nonspendable	1,165	-	-	1,165
Restricted	-	67,512	-	67,512
Committed	93,151	-	-	93,151
Assigned	-	-	21,608	21,608
Unassigned	161,504	-	-	161,504
Total fund balance	255,820	67,512	21,608	344,940
Total liabilities and fund balance	\$ 374,113	\$ 82,205	\$ 21,608	\$ 477,926

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2015

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 312,377	\$ -	\$ -	\$ 312,377
Delinquent taxes, interest, and penalties receivable	122,993	-	-	122,993
Due from other governments	41,391	-	-	41,391
Prepaid expenses	1,165	-	-	1,165
Land, building, and equipment (net)	-	2,078,282	-	2,078,282
Total assets	477,926	2,078,282	-	2,556,208
Deferred outflow of resources				
Pensions	-	17,871	-	17,871
Total assets and deferred outflow of resources	\$ 477,926	\$ 2,096,153	\$ -	\$ 2,574,079
Liabilities				
Accounts payable	\$ 22,596	\$ -	\$ -	\$ 22,596
Accrued liabilities	6,451	1,481	-	7,932
Unearned property taxes, interest, and penalties	103,939	(103,939)	-	-
Notes payable	-	349,681	-	349,681
Net pension liability	-	33,943	-	33,943
Total liabilities	132,986	281,166	-	414,152
Deferred inflows of resources				
Pensions	-	1,156	-	1,156
Fund balance/net position	344,940	1,813,831	-	2,158,771
Total fund balance/net position	344,940	1,813,831	-	2,158,771
Total liabilities, deferred inflows of resources and fund balance/net position	\$ 477,926	\$ 2,096,153	\$ -	\$ 2,574,079

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Statement of Revenues, Expenditures,
And Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2015

	General	Highway	Nonmajor Special Revenue	Total Governmental Funds
Revenues				
Property taxes	\$ 2,126,303	\$ 557,129	\$ -	\$ 2,683,432
Property taxes - interest and penalties	57,539	-	-	57,539
State of Vermont	120,365	125,506	-	245,871
Licenses, permits and fees	28,166	2,383	-	30,549
Fines and forfeitures	10,033	-	-	10,033
Miscellaneous	10,139	4,931	2,172	17,242
Total revenues	2,352,545	689,949	2,172	3,044,666
Expenditures				
General government	218,742	-	6,839	225,581
Public safety	110,770	-	-	110,770
Public works	24,363	807,841	-	832,204
Education	1,908,951	-	-	1,908,951
Debt service:				
Principal	24,500	28,940	-	53,440
Interest	1,960	2,375	-	4,335
Total expenditures	2,289,286	839,156	6,839	3,135,281
Excess (deficiency) of revenues over expenditures	63,259	(149,207)	(4,667)	(90,615)
Other financing source (uses)				
Note proceeds	-	177,901	-	177,901
Transfers in	25,000	-	7,882	32,882
Transfers out	(30,387)	-	(25,000)	(55,387)
Total other financing sources	(5,387)	177,901	(17,118)	155,396
Change in fund balances	57,872	28,694	(21,785)	64,781
Fund balances - beginning of year	197,948	38,818	43,393	280,159
Fund balances - end of year	\$ 255,820	\$ 67,512	\$ 21,608	\$ 344,940

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
Year Ended December 31, 2015

	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Long-term</u> <u>Revenues,</u> <u>Expenses</u>	<u>Capital</u> <u>Related</u> <u>Funds</u>	<u>Long-term</u> <u>Debt</u> <u>Transactions</u>	<u>Reclassification</u> <u>and</u> <u>Elimination</u>	<u>Statement of</u> <u>Activities</u> <u>Totals</u>
Revenues						
Property taxes	\$ 2,683,432	\$ (10,883)	\$ -	\$ -	\$ -	\$ 2,672,549
Property taxes - interest and penalties	57,539	-	-	-	-	57,539
State of Vermont	245,871	-	-	-	-	245,871
Licenses, permits and fees	30,549	-	-	-	-	30,549
Fines and forfeitures	10,033	-	-	-	-	10,033
Miscellaneous	17,242	-	-	-	-	17,242
Total revenues	<u>3,044,666</u>	<u>(10,883)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,033,783</u>
Expenditures/expenses						
General government	225,581	15,463	-	-	-	241,044
Public safety	110,770	6,881	(58,950)	-	-	58,701
Public works	832,204	145,697	(305,434)	-	-	672,467
Education	1,908,951	-	-	-	-	1,908,951
Debt service:						
Principal	53,440	-	-	(53,440)	-	-
Interest	4,335	-	-	(474)	-	3,861
Total expenditures/expenses	<u>3,135,281</u>	<u>168,041</u>	<u>(364,384)</u>	<u>(53,914)</u>	<u>-</u>	<u>2,885,024</u>
Excess (deficiency) of revenues over expenditures	<u>(90,615)</u>	<u>(178,924)</u>	<u>364,384</u>	<u>53,914</u>	<u>-</u>	<u>148,759</u>
Other sources and (uses)						
Note proceeds	177,901	-	-	(177,901)	-	-
Transfers in	32,882	-	-	-	(32,882)	-
Transfers out	(55,387)	-	-	-	32,882	(22,505)
Total other sources (uses)	<u>155,396</u>	<u>-</u>	<u>-</u>	<u>(177,901)</u>	<u>-</u>	<u>(22,505)</u>
Net change for the year	<u>\$ 64,781</u>	<u>\$ (178,924)</u>	<u>\$ 364,384</u>	<u>\$ (123,987)</u>	<u>\$ -</u>	<u>\$ 126,254</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Statement of Net Position
Proprietary Fund - Wastewater
December 31, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 141,275
Accounts receivable	1,306
Total current assets	<u>142,581</u>

Noncurrent assets:

Property and equipment, net of accumulated depreciation of \$771,567	<u>1,666,202</u>
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Total assets	\$ <u><u>1,808,783</u></u>
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Liabilities

Current liabilities:

Accrued interest	\$ 585
Bond payable, current	<u>13,145</u>
Total current liabilities	<u>13,730</u>

Noncurrent liabilities:

Bond payable, less current portion	<u>243,314</u>
Total liabilities	<u>257,044</u>

Net position

Invested in capital assets	1,409,743
Restricted	-
Unrestricted	<u>141,996</u>
Total net position	<u>1,551,739</u>

Total liabilities and net position	\$ <u><u>1,808,783</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund - Wastewater
Year Ended December 31, 2015

Operating revenues	
User fees	\$ 52,655
Miscellaneous	5,846
Total operating revenue	<u>58,501</u>
 Operating expenses	
Depreciation	64,774
Electricity	4,522
Insurance	1,316
Lawn mowing	1,035
Miscellaneous	982
Office/billing expenses	1,725
Permit fees	200
Phosphorous program	419
Propane	5,095
Repairs and maintenance	6,900
Rubbish removal	294
Service contract	24,120
Telephone	426
Testing fees	1,790
Water	333
Total operating expenses	<u>113,931</u>
 Operating (loss)	 (55,430)
 Nonoperating revenues (expenses)	
Interest income	1,538
Interest expense	(10,409)
Transfer in	22,505
Total nonoperating revenues (expenses)	<u>13,634</u>
 Changes in net position	 (41,796)
 Net position at beginning of year	 <u>1,593,535</u>
 Net position at end of year	 \$ <u><u>1,551,739</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Statement of Cash Flows
Proprietary Fund - Wastewater
Year Ended December 31, 2015

<i>Cash flows from operating activities:</i>	
Receipts from customers and users	\$ 58,379
Payments to suppliers for goods and services	<u>(49,169)</u>
<i>Net cash provided by operating activities</i>	<u>9,210</u>
<i>Cash flows from investing activities:</i>	
Interest income	<u>1,538</u>
<i>Net cash provided by investing activities</i>	<u>1,538</u>
<i>Net decrease in cash and cash equivalents</i>	10,748
<i>Cash and cash equivalents - beginning of year</i>	<u>130,527</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 141,275</u>
<i>Reconciliation of operating income to net cash provided by:</i>	
(Used for) operating activities:	
Net operating (loss)	\$ (55,430)
Adjustments to reconcile operating income to net cash provided by	
(used by) operating activities:	
Depreciation	64,774
(Increase) in accounts receivable	(122)
(Decrease) in due to other funds	<u>(12)</u>
<i>Net cash provided by operating activities</i>	<u>\$ 9,210</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT
Statement of Fiduciary Net Position
December 31, 2015

	<u>Bela Howe Trust Fund</u>	<u>Preschool Trust Fund</u>
Assets		
Cash	\$ <u>25,837</u>	\$ <u>4,063</u>
Total assets	\$ <u><u>25,837</u></u>	\$ <u><u>4,063</u></u>
Net position		
Reserved	\$ <u>25,837</u>	\$ <u>4,063</u>
Total net position	\$ <u><u>25,837</u></u>	\$ <u><u>4,063</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The Town of Shoreham, Vermont (the Town) is a unit of local government chartered by the State of Vermont. The Town operates under a Select Board – form of government and provides services as outlined in its charter. The Town provides the following services: public safety, highways, public improvements, wastewater, planning and zoning, and general administrative services.

a) Reporting Entity

The Town is governed by a five member elected Select Board. For financial reporting purposes, the Town consists of only the funds of the Town. The elected Select Board has no oversight responsibility for any other governmental entity. Control or dependence on the Board was determined on the basis of budget adoptions, designation of management, influence over operations, and accountability for fiscal matters. The Town applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

b) Basis of Presentation

Government-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Adjustments have been made to minimize the effect of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Business-type activities are generally financed through user fees.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of good or services offered by the programs, and grants and contributions that are restricted to meeting the operations 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 accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are grouped, in the financial statements in this report, as follows:

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued) **Governmental Funds**

General fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Highway Fund - This fund is used to account for revenue and expenditures of the Highway Fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund

Enterprise Fund – Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that of the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town uses one enterprise fund: the Wastewater Fund.

c) Measurement Focus and Basis of Accounting

The Town-wide financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction 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 and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property tax revenue is considered available if collected within sixty days of fiscal year end.

The proprietary and fiduciary fund statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

d) Cash and Cash Equivalents

For the purpose of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

e) Capital assets

Property, vehicles, and equipment are recorded at cost with depreciation computed using the straight-line method over their estimated useful lives of 10 to 40 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; renewals and betterments are capitalized. The capitalization policy adopted by the Town specifies that an asset must exceed \$1,000 in order to be capitalized.

f) Interfund Transactions

The operations of the Town include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The Town typically loans resources between funds for the purpose of providing cash flow. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and business-type activities). Eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Town's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 6 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

g) Short-term Debt

The Town may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

h) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense of the Vermont Municipal Employees' Retirement System (VMERS) has 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.

i) Net Position/Governmental Fund Balance

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

i) Net Position/Governmental Fund Balance (continued)

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category includes both designated and undesignated net position of the Town. Designated net position includes reserves that were established by the Board, which are considered internally designated. Undesignated net position is not restricted for any project or purpose.

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Town had prepaid VLCT dues of \$1,165 in non-spendable fund balance at December 31, 2015.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balances. The Town has established the following restricted fund balances:

Highway Fund: According to Vermont State statute, highway funds must be used for road expenses of the Town. The reserve must be accounted for separate and apart from all other funds a detailed report of the operation and condition must be provided to the Board. The Town has \$67,512 in restricted fund balance as of December 31, 2015.

Committed – Includes amounts that can only be used for the specific purpose pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, i.e., the legal voters of the Town. The Town has \$93,151 committed fund balance as of December 31, 2015.

Assigned – Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance in the General Fund. Encumbrances reported in the General Fund amounted to \$0. Assigned fund balance in the special revenue funds amounted to \$21,608.

Unassigned – Includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

Order of use of fund balance - The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignment of fund balance cannot cause a negative unassigned fund balance.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

j) Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumption regarding certain types of assets, liabilities, revenues, and expenses. Such estimated primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated source.

Note 2. Stewardship, Compliance, and Accountability

a) Budgetary Information

At the annual meeting, the Select Board presents a general fund budget for the proposed expenditures of the fiscal year commencing the preceding January. The budget, as enacted by town meeting establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues.

b) Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to the budgetary data.

The following is a summary of adjustments made to the actual revenues and expenditures to conform to the budgetary basis of accounting.

General fund:	
Total revenues (GAAP basis)	\$ 2,352,545
School taxes collected	(1,908,951)
Total revenues budgetary basis	\$ <u>443,594</u>
Total expenditures (GAAP basis)	\$ 2,289,286
School taxes collected	(1,908,951)
Total expenditures budgetary basis	\$ <u><u>380,335</u></u>

Note 3. Explanation of Certain Differences between Governmental Fund Statements and the Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total fund balances of the Town’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 3. Explanation of Certain Differences between Governmental Fund Statements and the Government-wide Statements

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the categories listed below.

1. Long-Term Revenue and Expense Differences – Long-term revenue differences arise because governmental funds report revenues only when considered “available”, whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
2. Long-Term Debt Transaction Differences – Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net position.
3. Capital Assets – Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Explanation of difference between Governmental Fund Balance and Government-wide Net Position

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 344,940
Capital assets net of related depreciation	2,078,282
Deferred outflows of resources	
Pensions	17,871
Liabilities:	
Accrued interest	(1,481)
Unearned property tax revenue	103,939
Long-term:	
Notes payable	(349,681)
Net pension liability	(33,943)
Deferred inflows of resources	
Pensions	<u>(1,156)</u>
Ending net position reported in Statement of Net Position for governmental activities	\$ <u><u>2,158,771</u></u>

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 3. Explanation of Certain Differences between Governmental Fund Statements and the Government-wide Statements

Explanation of Differences Between Governmental Funds Operating Statements and the Government Wide Statement of Activities

Total revenues and other funding sources of governmental funds	\$	3,222,567
Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents an increase in deferred property taxes.		(10,883)
Note proceeds		<u>(177,901)</u>
Total revenues of governmental activities in the Statement of Activities	\$	<u>3,033,783</u>
Total expenditures reported in governmental funds	\$	3,135,281

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlays		(364,384)
Current year depreciation		170,918

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Repayment of principal		(53,440)
Accrued interest		(474)

Governmental funds report Town pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Total expenses of governmental activities in the Statement of Activities	\$	<u>2,885,024</u>
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Note 4. Cash (and Cash Equivalents) – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s aggregate bank balance (disclosed in the financial statements) included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$	-
Collateralized securities held by the pledging financial institution, or its trust department or agent, but not in the Town’s name	\$	25,485,133

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 5. Capital Assets

Property, vehicles, and equipment used by the Town are as follows:

	Balance 12/31/14	Additions	Retirement	Balance 12/31/15
Governmental activities:				
Buildings & improvements	\$ 576,998	\$ -	\$ -	\$ 576,998
Construction in progress	-	13,759	-	13,759
Infrastructure	1,429,330	113,774	-	1,543,104
Vehicles	535,348	236,851	-	772,199
Machinery and equipment	381,107	-	-	381,107
Total	<u>2,922,783</u>	<u>364,384</u>	<u>-</u>	<u>3,287,167</u>

Less accumulated depreciation:

Building & improvements	(116,436)	(11,523)	-	(127,959)
Infrastructure	(436,874)	(95,919)	-	(532,793)
Vehicles	(423,447)	(45,653)	-	(469,100)
Machinery and equipment	(61,210)	(17,823)	-	(79,033)
Total	<u>(1,037,967)</u>	<u>(170,918)</u>	<u>-</u>	<u>(1,208,885)</u>

Total capital assets - net	\$ <u>1,884,816</u>	\$ <u>193,466</u>	\$ <u>-</u>	\$ <u>2,078,282</u>
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	Balance 12/31/14	Additions	Retirement	Balance 12/31/15
Business-type activities:				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Buildings & improvements	2,362,289	-	-	2,362,289
Machinery and equipment	15,480	-	-	15,480
Total	<u>2,437,769</u>	<u>-</u>	<u>-</u>	<u>2,437,769</u>

Less accumulated depreciation:

Building & improvements	(692,939)	(64,309)	-	(757,248)
Machinery and equipment	(13,854)	(465)	-	(14,319)
Total	<u>(706,793)</u>	<u>(64,774)</u>	<u>-</u>	<u>(771,567)</u>

Total capital assets - net	\$ <u>1,730,976</u>	\$ <u>(64,774)</u>	\$ <u>-</u>	\$ <u>1,666,202</u>
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Depreciation expense was charged to the governmental functions as follows:

General government	\$ 17,381
Public safety	6,881
Public works	<u>146,656</u>
	<u>\$ 170,918</u>

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 6. Interfund Balances and Activity

Interfund balances and activity at December 31, 2015 and for the fiscal year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	\$ -	\$ -	\$ 25,000	\$ 30,387
Highway Fund	-	-	-	-
Special revenue	-	-	7,882	25,000
Wastewater fund	-	-	22,505	-
Total	\$ -	\$ -	\$ 55,387	\$ 55,387

The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

Note 7. Unearned Property Taxes

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned property taxes in the General Fund consists of \$103,939 in delinquent taxes receivable and related penalty and interest not collected within 60 days of year.

Note 8. Indebtedness

Long-term debt: Long-term liability balances and activity for the year are summarized below:

	Balance 12-31-14	Additions	Reductions	Balance 12-31-15
Governmental Activities				
Notes payable	\$ 225,220	\$ 177,901	\$ 53,440	\$ 349,681
Net pension liability	4,372	29,571	-	33,943
	\$ 229,592	\$ 207,472	\$ 53,440	\$ 383,624
Business-type activities				
Bonds payable	\$ 269,141	\$ -	\$ 12,682	\$ 256,459

Description	Interest Rate	Maturity Date	Balance 12-31-15
Governmental Activities:			
Note payable - Truck	0.00%	6/30/16	\$ 3,600
Note payable – Excavator	0.00%	6/30/17	6,680
Note payable – Demand note	2.00%	2/26/18	73,500
Note payable – Grader	2.00%	3/19/19	88,000
Note payable – 2015 Dump Truck	2.00%	12/3/20	177,901
			349,681
	Less: current portion		(87,625)
			\$ 262,056

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 8. Indebtedness (continued)

Description	Interest Rate	Maturity Date	Balance 12-31-15
Business-type Activities:			
Bond payable – Wastewater	2.50-5.00%	11/15/30	\$ 256,549
	Less: current portion		(13,145)
			<u>\$ 243,404</u>

The debt service requirements at December 31, 2015 for the next five years and thereafter are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2016	\$ 87,625	\$ 6,858	\$ 94,483
2017	84,709	5,177	89,886
2018	82,066	3,547	85,613
2019	58,278	1,611	59,889
2020	37,003	-	37,003
	<u>\$ 349,681</u>	<u>\$ 17,193</u>	<u>\$ 36,874</u>

Fiscal Year	Business-type Activities		
	Principal	Interest	Total
2016	\$ 13,145	\$ 9,360	\$ 22,505
2017	13,624	8,881	22,505
2018	14,122	8,383	22,505
2019	14,637	7,868	22,505
2020	15,171	7,334	22,505
2021-2025	84,579	27,946	112,525
2026-2030	101,181	11,344	112,525
	<u>\$ 256,459</u>	<u>\$ 81,116</u>	<u>\$ 337,575</u>

Note 9. Pensions

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 school districts and other municipal 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.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

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

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

Benefits Provided

VMERS provides retirement, disability and death benefits. Retirement benefits are determined as 1.4% of the employee's final 5-year average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 55. Employees are eligible for service-related disability benefits regardless of length of service. Five years of service is required for nonservice-related disability eligibility.

Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Contributions

Employees are required to contribute 2.5% of their annual pay. The Town's contractually required contribution rate for the year ended December 31, 2015 was 4.0% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the Town were \$6,244 for the year ended December 31, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015 the Town reported a liability of \$33,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 towns, actuarially determined. At June 30, 2015, the Town's proportion was 0.04403%, which was a decrease of .000387 from its proportion measured as of June 30, 2014.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

For the year ended December 31, 2015, the Town recognized pension expense of \$3,367. At December 31, 2015, the Town reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,073	\$ -
Changes of assumptions	6,760	-
Difference between projected and actual investment earnings	6,558	-
Change in proportional share of contributions	337	1,156
Town's contributions subsequent to the measurement date	3,143	-
 Total	\$ 17,871	\$ 1,156

\$3,143 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2016	\$ 5,791
2017	2,646
2018	2,646
2019	5,632
	\$ 16,715

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.0%-3.25%
Salary increases	5%
Investment rate of return	7.95%

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Mortality rates were based on the RP-2000 Combined Mortality Tables for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan 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 function relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and long term horizons by weighing 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:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	8.61 %
Fixed income	33.00%	1.91%
Alternatives	15.50%	6.93%
Multi-strategy	20.00%	4.88%

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

Discount Rate

The discount rate to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with current funding policy. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%).

1% Decrease (6.95%)	Current discount rate (7.95%)	1% Increase (8.95%)
\$ 67,799	\$ 33,943	\$ 5,562

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 10. Property Taxes

Property taxes attach as an enforceable lien on property as of the beginning of the year. Taxes are levied by September 1, and are payable by November 10. The Town of Shoreham, Vermont bills and collects its own property taxes, as well as those for the Town School District and other assessments. Collections of the school taxes and other assessments and remittance of them are accounted for in the General Fund. All unpaid taxes become delinquent the date that the taxes are due.

All delinquent taxes are assessed a late payment penalty of eight percent of the amount delinquent, and are charged interest at the rate of one percent per month for the first three months then one and a half percent thereafter for partial/full month. Delinquent taxes and related penalties and interest are recognized as revenue when received.

Town tax rate	\$.534
Education tax rate - residential		1.7187
Education tax rate - nonresidential		1.4748

Note 11. Commitments

The Town of Shoreham, Vermont leases a photocopier under an operating lease agreement. Total lease expense for the year ended December 31, 2015 was \$2,064. Future minimum payments required under the terms of the current lease and contract agreements are as follows:

Year Ending December 31,

2016	1,848
2017	1,848
2018	1,848
2019	1,848
	<hr/>
Total future minimum lease payments	\$ <u>7,392</u>

Note 12. Risk Management

The Town of Shoreham, Vermont is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. The Town of Shoreham, Vermont maintains commercial insurance coverage 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 commercial coverage in any of the past three (3) fiscal years.

Note 13. Contingencies

Federal and State Grants

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of such audits is not likely to have a material adverse effect on the Town's funds.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 14. Subsequent Events

The Select Board has evaluated subsequent events through June 29, 2017, the date on which the financial statements were available.

TOWN OF SHOREHAM, VERMONT
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended December 31, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ -	\$ 217,352	\$ 217,352
Property taxes - interest and penalties	-	57,539	57,539
State of Vermont	-	120,365	120,365
Licenses, permits and fees	-	28,166	28,166
Fines and forfeitures	-	10,033	10,033
Miscellaneous	-	10,139	10,139
Total revenues	-	443,594	443,594
Expenditures			
Assessments and appropriation	47,278	46,645	633
Building expenses:			
Salt/sand building project	-	8,210	(8,210)
Firehouse overhead	15,190	19,511	(4,321)
Newton Academy site wastewater	40	40	-
Town office overhead	7,655	5,890	1,765
Conservatory overhead	7,085	4,181	2,904
Emergency services	25,200	82,366	(57,166)
Salaries and expenses:			
Health care contribution	11,236	11,235	1
Training/seminars	1,000	856	144
Wages	67,315	63,546	3,769
Dog warden - mileage and costs	500	-	500
Payroll taxes - employer share	5,960	5,635	325
Retirement	2,000	1,922	78
Office operating expenses	40,100	28,181	11,919
General town expenses	50,450	55,293	(4,843)
Debt service:			
Principal	-	24,500	(24,500)
Interest	-	1,960	(1,960)
Ballot appropriations	-	20,364	(20,364)
Total expenditures	281,009	380,335	(99,326)
Excess (deficiency) of revenues over expenditures	\$ (281,009)	\$ 63,259	\$ 344,268

See the independent auditor's report.

TOWN OF SHOREHAM, VERMONT
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - Highway Fund
Year Ended December 31, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ -	\$ 557,129	\$ 557,129
State of Vermont	-	125,506	125,506
Licenses, permits and fees	-	2,383	2,383
Miscellaneous	-	4,931	4,931
Total revenues	<u>-</u>	<u>689,949</u>	<u>689,949</u>
Expenditures			
Building	6,980	6,671	309
Salaries and expenses:			
Health care contribution	22,500	22,470	30
Wages	110,697	108,430	2,267
Payroll taxes - employer share	8,468	8,446	22
Retirement	4,425	4,321	104
Operating expenses:			
Asphalt/paving	125,000	102,390	22,610
Chloride	36,000	36,045	(45)
Chloride applicator purchase	-	408	(408)
Culverts	-	13,759	(13,759)
Ditching (water control)	30,000	12,278	17,722
Equipment rental	5,000	5,246	(246)
Fuel, gas & oil (vehicles)	45,000	28,794	16,206
Guardrails and road signs	4,500	2,820	1,680
Insurance	24,000	23,429	571
Mileage/transportation	250	-	250
Miscellaneous	1,000	676	324
New equipment	4,000	180,140	(176,140)
Radios and radio repairs	500	697	(197)
Repairs, parts, and maintenance	35,000	49,192	(14,192)
Road gravel	150,000	153,124	(3,124)
Salt-winter	20,000	18,615	1,385
Sand-winter	20,000	29,890	(9,890)
Debt service:			
Principal	-	28,940	(28,940)
Interest	-	2,375	(2,375)
Total expenditures	<u>653,320</u>	<u>839,156</u>	<u>(185,836)</u>
Excess (deficiency) of revenues over expenditures	(653,320)	(149,207)	504,113
Other financing source (uses)			
Note proceeds	-	177,901	177,901
Change in fund balances	<u>\$ (653,320)</u>	<u>\$ 28,694</u>	<u>\$ 682,014</u>

See the independent auditor's report.

TOWN OF SHOREHAM, VERMONT
Schedule of the Local Government's Proportionate Share of the Net Pension Liability
Year Ended December 31, 2015

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Town's proportion of the net pension liability	0.04403%	-	-	-	-	-	-	-	-	-
Town's proportionate share of the net pension liability \$	33,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll \$	158,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	21.5%	-	-	-	-	-	-	-	-	-

See the independent auditor's report.

TOWN OF SHOREHAM, VERMONT
Schedule of Local Government Contributions
Year Ended December 31, 2015

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contributions	\$ 6,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>6,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 158,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	4.0%	-	-	-	-	-	-	-	-	-

See the independent auditor's report.

TOWN OF SHOREHAM, VERMONT
Combining Balance Sheet
Nonmajor Governmental - Nonmajor Special Revenue Funds
December 31, 2015

	<u>Bottle Recycling</u>	<u>Tennis Courts</u>	<u>Lister Education</u>	<u>Economic Development Task Force</u>	<u>Conservatory</u>	<u>Fire Equipment</u>	<u>Town Building Repair</u>	<u>Totals</u>
Assets								
Cash	\$ 1,459	\$ 7,165	\$ 814	\$ 923	\$ -	\$ -	\$ 11,247	\$ 21,608
Total assets	<u>\$ 1,459</u>	<u>\$ 7,165</u>	<u>\$ 814</u>	<u>\$ 923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,247</u>	<u>\$ 21,608</u>
Fund balance								
Assigned	\$ 1,459	\$ 7,165	\$ 814	\$ 923	\$ -	\$ -	\$ 11,247	\$ 21,608
	<u>1,459</u>	<u>7,165</u>	<u>814</u>	<u>923</u>	<u>-</u>	<u>-</u>	<u>11,247</u>	<u>21,608</u>
Total fund balance	<u>\$ 1,459</u>	<u>\$ 7,165</u>	<u>\$ 814</u>	<u>\$ 923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,247</u>	<u>\$ 21,608</u>

See the independent auditor's report.

TOWN OF SHOREHAM, VERMONT
Statement of Revenues, Expenditures,
And Changes in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2015

	<u>Bottle Recycling</u>	<u>Tennis Courts</u>	<u>Lister Education</u>	<u>Economic Development Task Force</u>	<u>Conservatory</u>	<u>Fire Equipment</u>	<u>Building Repair</u>	<u>Totals</u>
Revenues								
Investment income	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 5
Miscellaneous	974	803	390	-	-	-	-	2,167
Total revenues	<u>\$ 979</u>	<u>\$ 803</u>	<u>\$ 390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 2,172</u>
Expenditures								
Miscellaneous	\$ 2,191	\$ 1,368	\$ 280	\$ -	\$ 3,000	\$ -	-	\$ 6,839
Total expenditures	<u>2,191</u>	<u>1,368</u>	<u>280</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>6,839</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>7,882</u>	<u>(17,118)</u>
Excess (deficiency) of revenues over expenditures	(1,212)	(565)	110	-	(3,000)	(25,000)	7,882	(21,785)
Fund balance - beginning of year	<u>2,671</u>	<u>7,730</u>	<u>704</u>	<u>923</u>	<u>3,000</u>	<u>25,000</u>	<u>3,365</u>	<u>43,393</u>
Fund balance - end of year	<u>\$ 1,459</u>	<u>\$ 7,165</u>	<u>\$ 814</u>	<u>\$ 923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,247</u>	<u>\$ 21,608</u>

See the independent auditor's report.