

TOWN OF SHOREHAM, VERMONT

Financial Statements

December 31, 2017

Table of Contents

Independent Auditor's Report	1
Management Discussion & Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Governmental:	
Balance Sheet – Governmental Funds.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities.....	15
Proprietary:	
Statement of Net Position – Proprietary Fund.....	16
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	17
Statement of Cash Flows – Proprietary Fund.....	18
Fiduciary:	
Statement of Fiduciary Net Position.....	19
Notes to Financial Statements	20-34
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund.....	35
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Highway Fund.....	36

Schedule of the Local Government's Proportionate Share of the Net Pension Liability.....	37
---	----

Schedule of the Local Government Contributions.....	38
---	----

Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds.....	39
--	----

Combining Statement of Revenues and Expenditures and Change in Fund Balance – Nonmajor Governmental Funds.....	40
---	----

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, 2017, 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, 2017, 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
February 15, 2018
License #092-0000692

**TOWN OF SHOREHAM, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017**

The following is a discussion and analysis of the Town of Shoreham, Vermont's financial performance for the fiscal year ended December 31, 2017. 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 \$3,029,893 compared to \$3,041,864 for the years ended December 31, 2017 and 2016, respectively; this is a 0.4% decrease.

The Town of Shoreham, Vermont's expenditures were \$2,956,165 compared to \$2,944,653 for the years ended December 31, 2017 and 2016, respectively; this is a 0.3% increase.

The Town of Shoreham, Vermont's total assets, in accordance with GASB 34 accounting, were \$4,476,304 compared to \$4,364,482 for the years ended December 31, 2017 and 2016, respectively.

The Town of Shoreham, Vermont's total liabilities, in accordance with GASB 34 accounting, were \$627,581 compared to \$585,752 for the years ended December 31, 2017 and 2016, respectively.

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 and deferred outflows of resources as of December 31, 2017 were \$4,510,650, a 2.6% increase from prior year.

Total liabilities as of December 31, 2017 were \$627,581, a 7.1%. The excess of revenues over expenditures resulted in the increase in net position.

All the changes are detailed as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 337,501	\$ 349,877	\$ 154,181	\$ 148,976	\$ 491,682	\$ 498,853
Capital assets	2,444,917	2,260,619	1,539,705	1,605,010	3,984,622	3,865,629
Total assets	<u>2,782,418</u>	<u>2,610,496</u>	<u>1,693,886</u>	<u>1,753,986</u>	<u>4,476,304</u>	<u>4,364,482</u>
Deferred outflows of resources	34,346	30,611	-	-	34,346	30,611
Total assets and deferred outflows of resources	<u>\$ 2,816,764</u>	<u>\$ 2,641,107</u>	<u>\$ 1,693,886</u>	<u>\$ 1,753,986</u>	<u>\$ 4,510,650</u>	<u>\$ 4,395,093</u>
Current liabilities	\$ 136,440	\$ 110,776	\$ 15,171	\$ 25,055	\$ 151,611	\$ 135,831
Long-term liabilities	260,402	231,106	215,568	218,815	475,970	449,921
Total liabilities	<u>396,842</u>	<u>341,882</u>	<u>230,739</u>	<u>243,870</u>	<u>627,581</u>	<u>585,752</u>
Deferred inflows of resources	1,620	1,620	-	-	1,620	1,620
Net position						
Net investment in capital assets	2,131,088	1,998,556	1,310,015	1,361,695	3,441,103	3,360,251
Restricted	254,442	264,836	-	-	254,442	264,836
Unrestricted	32,772	34,213	153,132	148,421	185,904	182,634
Total net position	<u>2,418,302</u>	<u>2,297,605</u>	<u>1,463,147</u>	<u>1,510,116</u>	<u>3,881,449</u>	<u>3,807,721</u>
Total liabilities, deferred inflows & net position	<u>\$ 2,816,764</u>	<u>\$ 2,641,107</u>	<u>\$ 1,693,886</u>	<u>\$ 1,753,986</u>	<u>\$ 4,510,650</u>	<u>\$ 4,395,093</u>

For the year ended December 31, 2017, total revenues decreased 0.4%. This was a result of a decrease in operating grant revenue.

For the year ended December 31, 2017 total expenditures increased 0.3%. The was a result of an increase in education expense.

All the changes are detailed as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 34,954	\$ 36,586	\$ 58,941	\$ 59,295	\$ 93,895	\$ 95,881
Grants and contributions	229,719	357,381	-	-	229,719	357,381
General revenues:						
Property taxes	2,574,662	2,451,225	-	-	2,574,662	2,451,225
Grants and contributions not restricted to specific programs	110,260	121,434	-	-	110,260	121,434
Investment income	2,122	1,406	792	1,661	2,914	3,067
Miscellaneous	18,443	12,876	-	-	18,443	12,876
Total revenues	2,970,160	2,908,908	59,733	60,956	3,029,893	3,041,864
Program expenses:						
General government	261,165	255,953	-	-	261,165	255,953
Public Safety	48,339	43,399	-	-	48,339	43,399
Public Works	710,915	713,734	-	-	710,915	713,734
Education	1,800,338	1,799,821	-	-	1,800,338	1,799,821
Interest	6,201	6,662	-	-	6,201	6,662
Wastewater	-	-	129,207	125,084	129,207	125,084
Total expenses	2,826,958	2,819,569	129,207	125,084	2,956,165	2,944,653
Transfers	(22,505)	(22,505)	22,505	22,505	-	-
Increase in net position	120,697	138,834	(46,969)	(41,623)	73,728	97,211
Net position – beginning of year	2,297,605	2,158,771	1,510,116	1,551,739	3,807,721	3,710,510
Net position – end of year	\$ 2,418,302	\$ 2,297,605	\$ 1,463,147	\$ 1,510,116	\$ 3,881,449	\$ 3,807,721

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 \$287,117 and actual performance of \$310,764.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2017, the Town had \$3,984,622 invested in capital assets (net of accumulated depreciation), compared to \$3,865,629 for the year ended December 31, 2016.

Capital Assets (Net of Depreciation)			
	Governmental Activities and Total Town		
	Beginning	Ending	Percentage Change
Governmental activities:			
Building and improvements	\$ 437,516	\$ 422,232	-3.5%
Infrastructure	1,257,540	1,366,665	8.7
Vehicles	264,572	360,162	36.1
Machinery and equipment	300,991	295,858	-17.1
	<u>2,260,619</u>	<u>2,444,917</u>	<u>8.2</u>
Business-type activities:			
Land	60,000	60,000	0.0
Buildings and improvements	1,540,732	1,476,423	-4.2
Machinery and equipment	4,278	3,282	-23.3
	<u>1,605,010</u>	<u>1,539,705</u>	<u>-4.1</u>
	<u>\$ 3,865,629</u>	<u>\$ 3,984,622</u>	<u>3.1%</u>

Long-Term Debt

At year-end, the Town had \$597,271 in long-term liabilities that includes bonds payable of \$229,690 notes payable of \$313,829 and net pension liability of \$53,752.

	Total Town		Percentage Change
	Beginning	Ending	
Bonds payable	\$ 243,315	\$ 229,690	-5.6%
Notes payable	262,063	313,829	19.8
Net pension liability	53,752	53,752	0.0
Total	\$ 559,130	\$ 597,271	6.8%

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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash:			
Unrestricted	\$ 78,735	\$ 154,181	\$ 232,916
Restricted	193,963	-	193,963
Delinquent taxes receivable	28,892	-	28,892
Grants receivable	9,700	-	9,700
Due from other governments	25,000	-	25,000
Prepaid expenses	1,211	-	1,211
Total current assets	<u>337,501</u>	<u>154,181</u>	<u>491,682</u>
Noncurrent assets:			
Land, building, and equipment (net)	<u>2,444,917</u>	<u>1,539,705</u>	<u>3,984,622</u>
Total assets	2,782,418	1,693,886	4,476,304
Deferred outflows of resources			
Pensions	<u>34,346</u>	<u>-</u>	<u>34,346</u>
Total assets and deferred outflows of resources	\$ <u>2,816,764</u>	\$ <u>1,693,886</u>	\$ <u>4,510,650</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 23,608	\$ -	\$ 23,608
Accrued liabilities	5,653	1,049	6,702
Bond payable, current	-	14,122	14,122
Notes payable, current	107,179	-	107,179
Total current liabilities	<u>136,440</u>	<u>15,171</u>	<u>151,611</u>
Long term liabilities:			
Bond payable, less current portion	-	215,568	215,568
Notes payable, less current portion	206,650	-	206,650
Net pension liability	53,752	-	53,752
	<u>260,402</u>	<u>215,568</u>	<u>475,970</u>
Total liabilities	<u>396,842</u>	<u>230,739</u>	<u>627,581</u>
Deferred inflows of resources			
Pensions	<u>1,620</u>	<u>-</u>	<u>1,620</u>
Total deferred inflows of resources	<u>1,620</u>	<u>-</u>	<u>1,620</u>
Net Position			
Net investment in capital assets	2,131,088	1,310,015	3,441,103
Restricted	254,442	-	254,442
Unrestricted	32,772	153,132	185,904
Total net position	<u>2,418,302</u>	<u>1,463,147</u>	<u>3,881,449</u>
Total liabilities, deferred inflows of resources and fund net position	\$ <u>2,816,764</u>	\$ <u>1,693,886</u>	\$ <u>4,510,650</u>

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

TOWN OF SHOREHAM, VERMONT
Statement of Activities
Year Ended December 31, 2017

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Total	Governmental Activities	Primary Government Business-type Activities	
						Governmental Activities	Business-type Activities
Primary government:							
Governmental activities							
General government	\$ 261,165	\$ 28,887	\$ 5,384	\$ -	\$(226,894)	\$ -	\$(226,894)
Public safety	48,339	6,067	-	-	(42,272)	-	(42,272)
Public works	710,915	-	224,335	-	(486,580)	-	(486,580)
Education	1,800,338	-	-	-	(1,800,338)	-	(1,800,338)
Interest	6,201	-	-	-	(6,201)	-	(6,201)
Total governmental activities	<u>2,826,958</u>	<u>34,954</u>	<u>229,719</u>		<u>(2,562,285)</u>		<u>(2,562,285)</u>
Business-type activities							
Wastewater	129,207	58,941	-	-	-	(70,266)	(70,266)
Total business-type activities	<u>129,207</u>	<u>58,941</u>	<u>-</u>		<u>-</u>	<u>(70,266)</u>	<u>(70,266)</u>
Total primary-government	<u>\$ 2,956,165</u>	<u>\$ 93,895</u>	<u>\$ 229,719</u>		<u>(2,562,285)</u>	<u>(70,266)</u>	<u>(2,632,551)</u>
General revenues:							
Real property taxes					2,574,662	-	2,574,662
State sources					110,260	-	110,260
Investment earnings					2,122	792	2,914
Miscellaneous					18,443	-	18,443
Transfers					(22,505)	22,505	-
Total general revenues and transfers					<u>2,682,982</u>	<u>23,297</u>	<u>2,706,279</u>
Change in net position					120,697	(46,969)	73,728
Total net position - beginning of year					2,297,605	1,510,116	3,807,721
Total net position - end of year					<u>\$ 2,418,302</u>	<u>\$ 1,463,147</u>	<u>\$ 3,881,449</u>

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

TOWN OF SHOREHAM, VERMONT
Balance Sheet - Governmental Funds
December 31, 2017

	<u>General</u>	<u>Highway</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
Assets				
Cash:				
Unrestricted	\$ 200	\$ 68,338	\$ 10,197	\$ 78,735
Restricted	170,832	23,131	-	193,963
Delinquent taxes receivable	28,892	-	-	28,892
Grants receivable	-	9,700	-	9,700
Due from other governments	25,000	-	-	25,000
Due from other funds	-	4,838	-	4,838
Prepaid expenses	1,211	-	-	1,211
	<u>1,211</u>	<u>-</u>	<u>-</u>	<u>1,211</u>
Total assets	<u>\$ 226,135</u>	<u>\$ 106,007</u>	<u>\$ 10,197</u>	<u>\$ 342,339</u>
Liabilities				
Accounts payable	\$ -	\$ 23,608	\$ -	\$ 23,608
Accrued liabilities	3,361	-	-	3,361
Due to other funds	4,838	-	-	4,838
Unearned property taxes	23,808	-	-	23,808
	<u>32,007</u>	<u>23,608</u>	<u>-</u>	<u>55,615</u>
Total liabilities	<u>32,007</u>	<u>23,608</u>	<u>-</u>	<u>55,615</u>
Fund balance				
Nonspendable	1,211	-	-	1,211
Restricted	-	82,399	-	82,399
Committed	170,832	-	-	170,832
Assigned	-	-	10,197	10,197
Unassigned	22,085	-	-	22,085
	<u>194,128</u>	<u>82,399</u>	<u>10,197</u>	<u>286,724</u>
Total fund balance	<u>194,128</u>	<u>82,399</u>	<u>10,197</u>	<u>286,724</u>
Total liabilities and fund balance	<u>\$ 226,135</u>	<u>\$ 106,007</u>	<u>\$ 10,197</u>	<u>\$ 342,339</u>

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, 2017

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position</u>
Assets				
Cash:				
Unrestricted	\$ 78,735	\$ -	\$ -	\$ 78,735
Restricted	193,963	-	-	193,963
Delinquent taxes receivable	28,892	-	-	28,892
Grants receivable	9,700	-	-	9,700
Due from other governments	25,000	-	-	25,000
Due from other funds	4,838	-	(4,838)	-
Prepaid expenses	1,211	-	-	1,211
Land, building, and equipment (net)	-	2,444,917	-	2,444,917
Total assets	<u>342,339</u>	<u>2,444,917</u>	<u>(4,838)</u>	<u>2,782,418</u>
Deferred outflows of resources				
Pensions	<u>-</u>	<u>34,346</u>	<u>-</u>	<u>34,346</u>
Total assets and deferred outflow of resources	<u>\$ 342,339</u>	<u>\$ 2,479,263</u>	<u>\$ (4,838)</u>	<u>\$ 2,816,764</u>
Liabilities				
Accounts payable	\$ 23,608	\$ -	\$ -	\$ 23,608
Accrued liabilities	3,361	2,292	-	5,653
Due to other funds	4,838	-	(4,838)	-
Unearned property taxes	23,808	(23,808)	-	-
Notes payable	-	313,829	-	313,829
Net pension liability	-	53,752	-	53,752
Total liabilities	<u>55,615</u>	<u>346,065</u>	<u>(4,838)</u>	<u>396,842</u>
Deferred inflows of resources				
Pensions	<u>-</u>	<u>1,620</u>	<u>-</u>	<u>1,620</u>
Fund balance/net position				
Total fund balance/net position	<u>286,724</u>	<u>2,131,578</u>	<u>-</u>	<u>2,418,302</u>
Total liabilities, deferred inflows of resources and fund balance/net position	<u>\$ 342,339</u>	<u>\$ 2,479,263</u>	<u>\$ (4,838)</u>	<u>\$ 2,816,764</u>

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, 2017

	<u>General</u>	<u>Highway</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes, interest, and penalties	\$ 2,021,058	\$ 550,335	\$ -	\$ 2,571,393
State of Vermont	110,260	214,635	-	324,895
Licenses, permits and fees	28,887	-	-	28,887
Fines and forfeitures	6,067	-	-	6,067
Grant income	5,384	9,700	-	15,084
Miscellaneous	12,122	6,117	2,326	20,565
Total revenues	<u>2,183,778</u>	<u>780,787</u>	<u>2,326</u>	<u>2,966,891</u>
Expenditures				
General government	239,635	-	1,099	240,734
Public safety	41,251	-	-	41,251
Public works	4,391	922,159	-	926,550
Education	1,800,338	-	-	1,800,338
Debt service:				
Principal	24,500	60,134	-	84,634
Interest	987	4,265	-	5,252
Total expenditures	<u>2,111,102</u>	<u>986,558</u>	<u>1,099</u>	<u>3,098,759</u>
Excess (deficiency) of revenues over expenditures	<u>72,676</u>	<u>(205,771)</u>	<u>1,227</u>	<u>(131,868)</u>
Other financing source (uses)				
Note proceeds	-	136,482	-	136,482
Transfers in	-	-	-	-
Transfers out	(22,505)	-	-	(22,505)
Total other financing sources (uses)	<u>(22,505)</u>	<u>136,482</u>	<u>-</u>	<u>113,977</u>
Change in fund balance	50,171	(69,289)	1,227	(17,891)
Fund balance - beginning of year	<u>143,957</u>	<u>151,688</u>	<u>8,970</u>	<u>304,615</u>
Fund balance - end of year	<u>\$ 194,128</u>	<u>\$ 82,399</u>	<u>\$ 10,197</u>	<u>\$ 286,724</u>

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, 2017

	Total Governmental Funds	Long-term Revenues, Expenses	Capital Related Funds	Long-term Debt Transactions	Reclassification and Elimination	Statement of Activities Totals
Revenues						
Property taxes, interest, and penalties	\$ 2,571,393	\$ 3,269	\$ -	\$ -	\$ -	\$ 2,574,662
State of Vermont	324,895	-	-	-	-	324,895
Licenses, permits and fees	28,887	-	-	-	-	28,887
Fines and forfeitures	6,067	-	-	-	-	6,067
Grant income	15,084	-	-	-	-	15,084
Miscellaneous	20,565	-	-	-	-	20,565
Total revenues	<u>2,966,891</u>	<u>3,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,970,160</u>
Expenditures/expenses						
General government	240,734	20,431	-	-	-	261,165
Public safety	41,251	9,488	(2,400)	-	-	48,339
Public works	926,550	169,822	(385,457)	-	-	710,915
Education	1,800,338	-	-	-	-	1,800,338
Debt service:						
Principal	84,634	-	-	(84,634)	-	-
Interest	5,252	-	-	949	-	6,201
Total expenditures/expenses	<u>3,098,759</u>	<u>199,741</u>	<u>(387,857)</u>	<u>(83,685)</u>	<u>-</u>	<u>2,826,958</u>
Excess (deficiency) of revenues over expenditures	<u>(131,868)</u>	<u>(196,472)</u>	<u>387,857</u>	<u>83,685</u>	<u>-</u>	<u>143,202</u>
Other financing sources and (uses)						
Note proceeds	136,482	-	-	(136,482)	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(22,505)	-	-	-	-	(22,505)
Total financing other sources (uses)	<u>113,977</u>	<u>-</u>	<u>-</u>	<u>(136,482)</u>	<u>-</u>	<u>(22,505)</u>
Net change for the year	<u>\$ (17,891)</u>	<u>\$ (196,472)</u>	<u>\$ 387,857</u>	<u>\$ (52,797)</u>	<u>\$ -</u>	<u>\$ 120,697</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, 2017

Assets

Current assets:

Cash and cash equivalents	\$ 154,181
Total current assets	<u>154,181</u>

Noncurrent assets:

Property and equipment, net of accumulated depreciation of \$902,241	1,539,705
	<u>1,539,705</u>

Total assets	\$ <u><u>1,693,886</u></u>
---------------------	-----------------------------------

Liabilities

Current liabilities:

Accrued interest	\$ 1,049
Bond payable, current	<u>14,122</u>
Total current liabilities	<u>15,171</u>

Noncurrent liabilities:

Bond payable, less current portion	<u>215,568</u>
Total liabilities	<u>230,739</u>

Net position

Net Investment in capital assets	1,310,015
Restricted	-
Unrestricted	<u>153,132</u>
Total net position	<u>1,463,147</u>

Total liabilities and net position	\$ <u><u>1,693,886</u></u>
---	-----------------------------------

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, 2017

Operating revenues

User fees	\$	58,801
Miscellaneous		140
<i>Total operating revenue</i>		<u>58,941</u>

Operating expenses

Depreciation		65,305
Electricity		4,048
Insurance		1,004
Lawn mowing		1,315
Miscellaneous		1,353
Office/billing expenses		2,800
Permit fees		200
Phosphorous program		348
Propane		2,683
Repairs and maintenance		8,265
Rubbish removal		294
Service contract		29,400
Telephone		476
Testing fees		1,980
Water		<u>362</u>
<i>Total operating expenses</i>		<u>119,833</u>

Operating (loss) (60,892)

Nonoperating revenues (expenses)

Interest income		792
Interest expense		(9,374)
Transfer in		<u>22,505</u>
<i>Total nonoperating revenues (expenses)</i>		<u>13,923</u>

Changes in net position (46,969)

Net position at beginning of year 1,510,116

Net position at end of year \$ 1,463,147

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, 2017

<i>Cash flows from operating activities:</i>	
Receipts from customers and users	\$ 59,554
Payments to suppliers for goods and services	<u>(54,528)</u>
<i>Net cash provided by operating activities</i>	<u><u>5,026</u></u>
<i>Cash flows from investing activities:</i>	
Purchase of fixed assets	-
Interest income	<u>792</u>
<i>Net cash used in investing activities</i>	<u><u>792</u></u>
<i>Net decrease in cash and cash equivalents</i>	5,818
<i>Cash and cash equivalents - beginning of year</i>	<u>148,363</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 154,181</u></u>
<i>Reconciliation of operating income to net cash provided by:</i>	
(Used for) operating activities:	
Net operating (loss)	\$ (60,892)
Adjustments to reconcile operating income to net cash provided by	
(used by) operating activities:	
Depreciation	65,305
Decrease in accounts receivable	<u>613</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 5,026</u></u>

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

TOWN OF SHOREHAM, VERMONT
Statement of Fiduciary Net Position
December 31, 2017

	<u>Bela Howe Trust Fund</u>	<u>Preschool Trust Fund</u>
Assets		
Cash	\$ <u>24,837</u>	\$ <u>2,103</u>
Total assets	\$ <u><u>24,837</u></u>	\$ <u><u>2,103</u></u>
Net position		
Reserved	\$ <u>24,837</u>	\$ <u>2,103</u>
Total net position	\$ <u><u>24,837</u></u>	\$ <u><u>2,103</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 \$1,211 in non-spendable fund balance at December 31, 2017.

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 \$82,399 in restricted fund balance as of December 31, 2017.

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 \$170,832 committed fund balance as of December 31, 2017.

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 \$10,197.

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)	\$	2,183,778
School taxes collected		(1,800,338)
Total revenues budgetary basis	\$	<u>383,440</u>
Total expenditures (GAAP basis)	\$	2,111,102
School taxes collected		(1,800,338)
Total expenditures budgetary basis	\$	<u>310,764</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 (continued)

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	\$	286,724
Capital assets net of related depreciation		2,444,917
Deferred outflows of resources		
Pensions		34,346
Liabilities:		
Accrued interest		(2,292)
Unearned property tax revenue		23,808
Long-term:		
Notes payable		(313,829)
Net pension liability		(53,752)
Deferred inflows of resources		
Pensions		<u>(1,620)</u>
Ending net position reported in Statement of Net Position for governmental activities	\$	<u>2,418,302</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 (continued)

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

Total revenues and other funding sources of governmental funds	\$	2,966,891
<p>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.</p>		
		3,269
Total revenues of governmental activities in the Statement of Activities	\$	2,970,160
Total expenditures reported in governmental funds	\$	3,098,759
<p>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.</p>		
Expenditures for capital outlays		(387,857)
Current year depreciation		201,559
<p>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.</p>		
Repayment of principal		(84,634)
Accrued interest		949
<p>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.</p>		
		(1,818)
Total expenses of governmental activities in the Statement of Activities	\$	2,826,958

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	\$	22,484,670

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 12/31/16	Additions	Retirement	Balance 12/31/17
Governmental activities:				
Buildings & improvements	\$ 576,998	\$ 2,400	\$ -	\$ 579,398
Infrastructure	1,917,273	240,476	-	2,157,749
Vehicles	772,199	136,482	(150,876)	757,805
Machinery and equipment	391,567	6,499	-	398,066
Total	<u>3,658,037</u>	<u>385,857</u>	<u>(150,876)</u>	<u>3,893,018</u>
Less accumulated depreciation:				
Building & improvements	(139,482)	(17,684)	-	(157,166)
Infrastructure	(659,733)	(131,351)	-	(791,084)
Vehicles	(507,627)	(40,892)	150,876	(397,643)
Machinery and equipment	(90,576)	(11,632)	-	(102,208)
Total	<u>(1,397,418)</u>	<u>(201,559)</u>	<u>150,876</u>	<u>(1,448,101)</u>
Total capital assets - net	<u>\$ 2,260,619</u>	<u>\$ 184,298</u>	<u>\$ -</u>	<u>\$ 2,444,917</u>

	Balance 12/31/16	Additions	Retirement	Balance 12/31/17
Business-type activities:				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Buildings & improvements	2,362,289	-	-	2,362,289
Machinery and equipment	19,657	-	-	19,657
Total	<u>2,441,946</u>	<u>-</u>	<u>-</u>	<u>2,441,946</u>
Less accumulated depreciation:				
Building & improvements	(821,557)	(64,309)	-	(885,866)
Machinery and equipment	(15,379)	(996)	-	(16,375)
Total	<u>(836,936)</u>	<u>(65,305)</u>	<u>-</u>	<u>(902,241)</u>
Total capital assets - net	<u>\$ 1,605,010</u>	<u>\$ (65,305)</u>	<u>\$ -</u>	<u>\$ 1,539,705</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 20,382
Public safety	9,488
Public works	171,689
	<u>\$ 201,559</u>

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 6. Interfund Balances and Activity

Interfund balances and activity at December 31, 2017 and for the fiscal year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	\$ -	\$ 4,838	\$ -	\$ 22,505
Highway Fund	4,838	-	-	-
Special revenue	-	-	-	-
Wastewater fund	-	-	22,505	-
Total	\$ 4,838	\$ 4,838	\$ 22,505	\$ 22,505

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 \$23,808 in delinquent taxes receivable 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 12-31-16	Additions	Reductions	Balance 12-31-17
Governmental Activities				
Notes payable	\$ 262,063	\$ 136,482	\$ 84,716	\$ 313,829
Net pension liability	53,752	-	-	53,752
	\$ 315,815	\$ 136,482	\$ 84,716	\$ 367,581
Business-type activities				
Bonds payable	\$ 243,314	\$ -	\$ 13,624	\$ 229,690

Description	Interest Rate	Maturity Date	Balance 12-31-17
Governmental Activities:			
Note payable – Demand note	2.00%	2/26/18	\$ 24,500
Note payable – Grader	2.00%	3/19/19	44,000
Note payable – 2015 Dump Truck	2.00%	12/3/20	108,847
Note payable – 2018 Dump Truck	2.75%	2/25/22	136,482
			313,829
	Less: current portion		(107,179)
			\$ 206,650

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 8. Indebtedness (continued)

Description	Interest Rate	Maturity Date	Balance 12-31-17
Business-type Activities:			
Bond payable – Wastewater	2.00-5.00%	11/15/30	\$ 229,690
	Less: current portion		(14,122)
			<u>\$ 215,568</u>

The debt service requirements at December 31, 2017 for the next five years and thereafter are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2018	\$ 107,179	\$ 8,972	\$ 116,151
2019	85,973	4,674	90,647
2020	65,454	3,047	68,501
2021	29,240	1,519	30,759
2022	25,983	714	26,697
	<u>\$ 313,829</u>	<u>\$ 18,926</u>	<u>\$ 332,755</u>

Fiscal Year	Business-type Activities		
	Principal	Interest	Total
2018	\$ 14,122	\$ 8,384	\$ 22,506
2019	14,637	7,868	22,505
2020	15,171	7,334	22,505
2021	15,725	6,780	22,505
2022	16,299	6,206	22,505
2023-2027	90,866	21,662	112,528
2028-2030	62,870	4,644	67,514
	<u>\$ 229,690</u>	<u>\$ 62,878</u>	<u>\$ 292,568</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, 17 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, 2016 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 \$6,956 for the year ended December 31, 2017.

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

At December 31, 2017 the Town reported a liability of \$53,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion was 0.04177%, which was a 0.00266% decrease of from its proportion measured as of June 30, 2015.

TOWN OF SHOREHAM, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

For the year ended December 31, 2017, the Town recognized pension expense of \$13,958. At December 31, 2017, the Town reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 1,105	\$ -
Changes of assumptions	8,632	-
Difference between projected and actual investment earnings	17,429	-
Change in proportional share of contributions	224	1,620
Town's contributions subsequent to the measurement date	<u>6,956</u>	<u>-</u>
 Total	 <u>\$ 34,346</u>	 <u>\$ 1,620</u>

\$6,956 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, 2017. 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:

2017	\$ 6,646
2018	6,646
2019	9,472
2020	<u>3,006</u>
	<u>\$ 25,770</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.0%%
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 BB.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54 %
Fixed income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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%).

<u>1% Decrease (6.95%)</u>	<u>Current discount rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$ 89,234	\$ 53,752	\$ 24,044

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 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	\$.5357
Education tax rate - residential		1.5789
Education tax rate - nonresidential		1.5227

Note 11. Commitments

The Town leases a photocopier under an operating lease agreement. Total lease expense for the year ended December 31, 2017 was \$. Future minimum payments required under the terms of the current lease and contract agreements are as follows:

Year Ending December 31,

2018	\$	1,848
2019		<u>1,848</u>
Total future minimum lease payments	\$	<u><u>3,696</u></u>

Note 12. Risk Management

The Town 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 February 15, 2018, 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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes, interest, and penalties	\$ -	\$ 220,720	\$ 220,720
State of Vermont	-	110,260	110,260
Licenses, permits and fees	-	28,887	28,887
Grant income	-	5,384	5,384
Fines and forfeitures	-	6,067	6,067
Miscellaneous	-	12,122	12,122
Total revenues	<u>-</u>	<u>383,440</u>	<u>383,440</u>
Expenditures			
Assessments and appropriation	53,975	53,375	600
Building expenses:			
Stone schoolhouse repair	10,000	775	9,225
Firehouse overhead	12,710	8,959	3,751
Newton Academy site wastewater	40	40	-
Town office overhead	6,726	7,098	(372)
Conservatory overhead	3,850	1,795	2,055
Emergency services	25,300	26,929	(1,629)
Salaries and expenses:			
Health care contribution	11,920	12,655	(735)
Training/seminars	1,000	285	715
Wages	71,646	59,273	12,373
Dog warden - mileage and costs	500	-	500
Payroll taxes - employer share	6,000	4,838	1,162
Retirement	2,400	1,979	421
Office operating expenses	40,100	41,674	(1,574)
General town expenses	40,950	45,209	(4,259)
Debt service:			
Principal	-	24,500	(24,500)
Interest	-	987	(987)
Ballot appropriations	-	20,393	(20,393)
Total expenditures	<u>287,117</u>	<u>310,764</u>	<u>(23,647)</u>
Excess (deficiency) of revenues over expenditures	(287,117)	72,676	359,793
Other financing uses			
Transfer out	-	22,505	(22,505)
Change in fund balance	<u>\$ (287,117)</u>	<u>\$ 50,171</u>	<u>\$ 337,288</u>

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, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ -	\$ 550,335	\$ 550,335
State of Vermont	-	214,635	214,635
Grant income	-	9,700	9,700
Miscellaneous	-	6,117	6,117
Total revenues	-	780,787	780,787
Expenditures			
Building	8,431	4,155	4,276
Salaries and expenses:			
Health care contribution	23,838	24,447	(609)
Wages	117,057	127,106	(10,049)
Payroll taxes - employer share	8,890	9,875	(985)
Retirement	4,288	4,977	(689)
Operating expenses:			
Asphalt/paving	135,000	88,088	46,912
Better back road/AOT grants	-	140,249	(140,249)
Chloride	40,000	31,525	8,475
Contract services (flagging)	2,500	1,405	1,095
Ditching (water control)	15,000	9,334	5,666
Equipment rental	8,000	3,790	4,210
Fuel, gas & oil (vehicles)	30,000	29,226	774
Guardrails and road signs	5,000	1,189	3,811
Insurance	21,200	20,344	856
Mileage/transportation	250	-	250
Miscellaneous	1,000	1,524	(524)
New equipment	7,500	145,702	(138,202)
Radios and radio repairs	500	-	500
Repairs, parts, and maintenance	35,000	56,266	(21,266)
Road gravel -maintenance	175,000	173,038	1,962
Salt-winter	20,000	29,818	(9,818)
Sand-winter	20,000	20,101	(101)
Debt service:			
Principal	-	60,134	(60,134)
Interest	-	4,265	(4,265)
Total expenditures	678,454	986,558	(308,104)
Excess (deficiency) of revenues over expenditures	(678,454)	(205,771)	472,683
Other financing sources			
Note proceeds	-	136,482	136,482
Change in fund balance	\$ (678,454)	\$ (69,289)	\$ 609,165

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, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	VMERS Pension Plan Last 10 Fiscal Years									
Town's proportion of the net pension liability	0.04177%	0.04177%	0.04403%	-	-	-	-	-	-	-
Town's proportionate share of the net pension liability \$	53,752 \$	53,752 \$	33,943 \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 171,940	\$ 166,183	\$ 158,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	31.3%	32.3%	21.5%	-	-	-	-	-	-	-

See the independent auditor's report.

TOWN OF SHOREHAM, VERMONT
Schedule of Local Government Contributions
Year Ended December 31, 2017

VMERS Pension Plan
 Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 6,956	\$ 6,424	\$ 6,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>6,956</u>	<u>6,424</u>	<u>6,424</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	\$ 171,940	\$ 166,183	\$ 166,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	4.0%	3.9%	4.0%	-	-	-	-	-	-	-

See the independent auditor's report.

TOWN OF SHOREHAM, VERMONT
Combining Balance Sheet
Nonmajor Governmental - Nonmajor Special Revenue Funds
December 31, 2017

	<u>Bottle Recycling</u>	<u>Tennis Courts</u>	<u>Lister Education</u>	<u>Economic Development Task Force</u>	<u>Totals</u>
Assets					
Cash	\$ 2,051	\$ 7,223	\$ -	\$ 923	\$ 10,197
Total assets	<u>\$ 2,051</u>	<u>\$ 7,223</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ 10,197</u>
Fund balance					
Assigned	\$ 2,051	\$ 7,223	\$ -	\$ 923	\$ 10,197
	<u>2,051</u>	<u>7,223</u>	<u>-</u>	<u>923</u>	<u>10,197</u>
Total fund balance	<u>\$ 2,051</u>	<u>\$ 7,223</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ 10,197</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, 2017

	<u>Bottle Recycling</u>	<u>Tennis Courts</u>	<u>Lister Education</u>	<u>Economic Development Task Force</u>	<u>Totals</u>
Revenues					
Investment income	\$ 1	\$ -	\$ -	\$ -	\$ 1
Miscellaneous	-	1,920	405	-	2,325
Total revenues	<u>\$ 1</u>	<u>\$ 1,920</u>	<u>\$ 405</u>	<u>\$ -</u>	<u>\$ 2,326</u>
Expenditures					
Miscellaneous	\$ 48	\$ 207	\$ 844	\$ -	\$ 1,099
Total expenditures	<u>48</u>	<u>207</u>	<u>844</u>	<u>-</u>	<u>1,099</u>
Transfers					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(47)	1,713	(439)	-	1,227
Fund balance - beginning of year	<u>2,098</u>	<u>5,510</u>	<u>439</u>	<u>923</u>	<u>8,970</u>
Fund balance - end of year	<u><u>\$ 2,051</u></u>	<u><u>\$ 7,223</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 923</u></u>	<u><u>\$ 10,197</u></u>

See the independent auditor's report.

