

TOWN OF SHELBURNE, VERMONT

Financial Statements and Schedules

June 30, 2012

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

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Independent Auditors' Report

The Selectboard
Town of Shelburne, 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 Town of Shelburne, Vermont as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Shelburne, Vermont, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Shelburne, Vermont, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013 on our consideration of Town of Shelburne, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements (Schedules 1 and 2) and the statements of income – budget and actual- Water Fund and Sewer Fund (Schedules 3 and 4) are presented for purposes of additional analysis and are not required part of the financial statements. These schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

February 8, 2013

Love, Cody & Company, CPAs, P.C.

Vt. Reg. #357

Love, Cody & Company, CPAs

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

Our discussion and analysis of the Town of Shelburne, Vermont's financial performance provides an overview of the Town's financial activities for the Fiscal year ended June 30, 2012. This Financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's Finances and to show the Town's accountability for the money it receives. More detailed information about the Town's financial activities can be found in the financial statements that begin with Exhibit A. If you have questions about this report or need additional Financial information, contact the Town Manager's Office at the Town of Shelburne, P.O. Box 88, Shelburne, Vermont (Phone: 802-985-5111).

Financial Highlights

- The Town's net assets (total assets less total liabilities) increased as a result of this year's operations. Net assets of our business-type activities (Water and Sewer department operations) increased by \$289,071, or 3.5%. Net assets of our governmental activities increased by \$1,182,351, or 11.3%.
- The cost of all of the Town's programs was \$8,911,594 this year, compared with \$9,048,381 last year.
- The General Fund reported an increase in fund balance this year of \$109,011 which was better than the balanced budget.
- The fund balance for the General Fund was \$793,330 as of June 30, 2012, compared with a fund balance of \$684,319 on June 30, 2011. Of the \$793,330 amount, \$4,424 was nonspendable for prepaid expenses, \$19,600 was restricted for capital projects and \$177,845 is assigned for fiscal 2013 expenditures.
- The Sewer Fund's net assets increased by \$244,534, or 4.1%, to \$6,220,020. The Water Fund's net assets increased by \$44,537, or 1.9%, to \$2,376,404.

Using This Annual Report

This annual report consists of a series of financial statements. The First group includes the **Statement of Net Assets and the Statement of Activities** (Exhibits A and B), which provide information about the activities of the Town as a whole and present a longer-term view of the Town's Finances. The second group includes the **Fund financial statements**, which start on Exhibit C. For governmental activities, the Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund Financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The **Notes** section after the financial statements includes detailed information for a number of items such as capital assets and debt owed by the town. Schedules 1 and 2 at the end of this report contain details and balances in special revenue and capital project fund accounts.

Reporting the Town as a Whole — Statement of Net Assets and the Statement of Activities

The financial statements of the Town as a whole are reflected on Exhibit A and B. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off economically as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

accumulated depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** - Most of the Town's basic services are reported here, including the police, fire/rescue, public works, parks/recreation and general administration. Property taxes, fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system operations are reported here.

Reporting the Town's Most Significant Funds — Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (For example: grants received from the U.S. Department of Homeland Security for a multi-year project are accounted for in a separate fund). The only major governmental fund for the Town is the General Fund, which contains most of the Town operations (excluding water/sewer). Both of the proprietary funds (water and sewer) are also major funds.

The Town's governmental and proprietary funds use different accounting approaches.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using a measurement focus based on *current financial resources*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in Exhibits D and F.
- **Proprietary funds** - The Town's Water and Sewer funds are both treated as enterprise funds (i.e. business-type activities), within the proprietary fund category. When the Town

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

charges customers for the services it provides (whether to outside customers or to other funds of the Town) these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Since they use the same accounting basis, the Town's enterprise fund statements in Exhibits H-J are the same as the business-type activities we report in the government-wide statements. Exhibits H-J provide more detail and additional information, such as cash flows. Schedules 3 and 4 contain budget vs. actual results for the Water and Sewer funds, which are utilized for budget purposes and for determining user fees.

The Town as a Whole

The Town's combined net assets for the Governmental and Business-type activities increased by \$1,471,422 from a year ago - increasing from \$18,803,963 to \$20,275,385. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities. Recall that "net assets" are equal to the difference between total assets (after accumulated depreciation) and total liabilities.

Table 1 - Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 3,840,761	4,063,224	986,699	1,072,515	4,827,460	5,135,739
Capital assets, net	13,950,254	12,954,475	15,646,951	15,927,188	29,597,205	28,881,663
Total assets	<u>17,791,015</u>	<u>17,017,699</u>	<u>16,633,650</u>	<u>16,999,703</u>	<u>34,424,665</u>	<u>34,017,402</u>
Current liabilities	388,493	436,588	206,361	187,953	594,854	624,541
Long-term liabilities	5,723,561	6,084,501	7,830,865	8,504,397	13,554,426	14,588,898
Total liabilities	<u>6,112,054</u>	<u>6,521,089</u>	<u>8,037,226</u>	<u>8,692,350</u>	<u>14,149,280</u>	<u>15,213,439</u>
Net assets:						
Invested in capital assets, net of debt	8,486,131	7,117,058	7,856,020	7,462,725	16,342,151	14,579,783
Restricted	1,603,664	1,718,029	278,695	138,362	1,882,359	1,856,391
Unrestricted	<u>1,589,166</u>	<u>1,661,523</u>	<u>461,709</u>	<u>706,266</u>	<u>2,050,875</u>	<u>2,367,789</u>
Total net assets	<u>\$ 11,678,961</u>	<u>10,496,610</u>	<u>8,596,424</u>	<u>8,307,353</u>	<u>20,275,385</u>	<u>18,803,963</u>

Net assets of the Town's governmental activities increased by \$1,182,351, or approximately 11.3% (\$11,678,961 compared to \$10,496,610), in fiscal year 2012. The amount invested in capital assets, net of related debt increased by \$1,369,073. Restricted net assets decreased by \$114,365 and unrestricted net assets decreased by \$72,357. See our explanation later in this report of differences in actual compared to budget.

The net assets of our business-type activities (the Water & Sewer departments) increased by \$289,071, approximately 3.5%, (\$8,596,424 compared to \$8,307,353 in fiscal year 2011). The Town can only use these net assets to finance the continuing operations of the Water and Sewer systems.

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YEAR ENDED JUNE 30, 2012

Table 2 - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,426,989	1,410,608	2,529,390	2,374,884	3,956,379	3,785,492
Operating grants	1,157,835	654,471	-	-	1,157,835	654,471
Capital grants	310,812	153,391	83,803	88,237	394,615	241,628
General revenues:						
Property taxes	4,830,205	4,642,608	-	-	4,830,205	4,642,608
Investment earnings	15,052	83,805	8,534	10,493	23,586	94,298
Other general revenues	6,648	3,520	13,825	22,136	20,473	25,656
Total revenues	<u>7,747,541</u>	<u>6,948,403</u>	<u>2,635,552</u>	<u>2,495,750</u>	<u>10,383,093</u>	<u>9,444,153</u>
Program expenses:						
General government	1,755,165	1,602,829	-	-	1,755,165	1,602,829
Public safety	2,110,253	1,966,345	-	-	2,110,253	1,966,345
Highway/Public works	1,057,697	1,142,755	-	-	1,057,697	1,142,755
Employee benefits	975,485	938,704	-	-	975,485	938,704
Recreation and parks	116,928	363,802	-	-	116,928	363,802
Library	219,610	264,036	-	-	219,610	264,036
Health and welfare	68,435	68,046	-	-	68,435	68,046
Education	23,718	13,115	-	-	23,718	13,115
Land conservation	7,700	180,000	-	-	7,700	180,000
Debt service	230,199	245,351	-	-	230,199	245,351
Water	-	-	852,721	896,351	852,721	896,351
Sewer	-	-	1,493,760	1,367,047	1,493,760	1,367,047
Total expenses	<u>6,565,190</u>	<u>6,784,983</u>	<u>2,346,481</u>	<u>2,263,398</u>	<u>8,911,671</u>	<u>9,048,381</u>
Increase in net assets	\$ 1,182,351	163,420	289,071	232,352	1,471,422	395,772

Table 3 highlights the cost of each of the Town's largest governmental activities - general government, public safety, highway department, employee benefits, recreation and parks and library - as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these activities.

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YEAR ENDED JUNE 30, 2012

Table 3 - Governmental Activities

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,755,165	959,404	1,602,829	1,041,415
Public safety	2,110,253	950,712	1,966,345	913,348
Highway department	1,057,697	493,175	1,142,755	878,441
Employee benefits	975,485	975,485	938,704	938,704
Recreation and parks	116,928	(177,912)	363,802	43,186
Library	219,610	197,956	264,036	253,132
All others	330,052	270,734	506,512	498,287
	<u>\$ 6,565,190</u>	<u>3,669,554</u>	<u>6,784,983</u>	<u>4,566,513</u>

Reporting on the Town's Individual Funds - Fund Financial Statements

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$2,767,755, which is under last year's total of \$2,942,151 by \$174,396. Included in this year's total change in fund balance is an increase of \$109,011 in the Town's General Fund and a decrease in the nonmajor funds of \$283,407.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. No adjustments to the budget were made during the year. The General Fund ended the year with a fund balance of \$793,330. During fiscal year 2012, revenues were greater than expenditures by \$109,011, which was better than the balanced budget. While the approved budget assumed the unassigned fund balance would be reduced by \$140,405, the fund balance actually increased by \$109,011. Exhibit G of the financial statements shows the comparison of actual to budget for the General Fund. The most significant variances were:

	Variance Favorable <u>(Unfavorable)</u>
Revenues:	
Police Department	\$ 223,522
Property Taxes	(17,576)
Administration (Town Clerk Office)	28,444
Planning & Zoning	(19,445)
FEMA Reimbursement	44,189
Street Light Grants	99,898
Transfer from Ambulance Fund	(44,389)
Transfer from Bay Park Fund	(10,500)

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

		Variance Favorable <u>(Unfavorable)</u>
Expenditures:		
Property & Liability Ins. & claims	\$	(12,128)
Town Clerk / Treasurer		11,263
Buildings and Grounds		67,133
Public works		(136,428)
Police Department Salaries		(31,672)
Police Department Gasoline		(11,280)
Fire Department		(11,386)
Public works - highways		107,297
Employee benefits		51,328

Revenue Variations:

Police Department revenues exceeded budget by \$223,500. Most of this variance was from grant-funded enforcement and traffic details that were offset by corresponding expenditures. Fines paid for traffic violations exceeded budget by \$14,300. Property tax revenues were less than budget by \$17,500 due to property valuation appeals decisions. Administration (Town Clerks office) revenues exceeded budget by \$28,400 primarily due to increased document recording fees. Planning & Zoning revenues were less than budget by \$19,400 as the department did not receive grant funds for a budgeted project. This shortfall was offset by a corresponding expenditure reduction from budget. The Town received \$44,200 from FEMA for repairs to Town property damaged by flooding in the Spring of 2011. The Town received grant revenues of \$99,900 for conversions of street lights to LED technology. The transfer from the ambulance fund was less than budget by \$44,400 due to lower expenditures by Shelburne Rescue. Shelburne Rescue's operating costs are entirely paid for by revenues from billings, subscriptions and donations. The transfer from the Bay Park Fund was less than budget by \$10,500 due to completion of a park improvement project that was funded by donations instead of requiring funds from the Bay Park Fund.

Expenditure Variations:

Property & Casualty Insurance expenditures were greater than budget by \$12,100 due to higher premiums. Town Clerk office expenditures were less than budget by \$11,300 due to reduced expenses for records automation. Buildings & Grounds expenditures were less than budget due to deferral of a roof replacement project at the fire station to FY 2013. In addition, utility and heating costs were less than budget due to the mild winter. Public Works expenditures were greater than budget by \$136,400 due to several grant funded projects including a stormwater treatment system, LED streetlight conversions, and design plans for a bike/pedestrian path. Public works expenditures also included \$30,600 for a sidewalk bond project. Police Dept. expenditures exceeding budget not offset by revenues included salaries (\$31,700 variance) due to staffing issues and gasoline (\$11,300 variance) due to higher prices. Fire department expenditures were greater than budget by \$11,400 due to the purchase of communications equipment, which was offset by grant revenues. Highway department expenditures were less than budget due to warmer winter weather, which resulted in less snowplowing and road salt costs. Employee benefits were less than budget by \$51,300 as a result of lower health and LTD insurance costs caused by changing insurance carriers and programs combined with employee profiles (single, couple, family plans).

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YEAR ENDED JUNE 30, 2012

Water Fund

The Water Fund ended with net assets of \$2,376,404 of which \$2,310,503 is net investment in plant and equipment and \$65,901 is unrestricted. Schedule 3 compares actual activity to the budget using the basis of accounting that is used for budgetary and rate setting purposes which differs from generally accepted accounting principles. The schedule reflects capital project costs and principal payments on long-term debt as expenditures and does not include depreciation expense. Using this basis of accounting, revenues exceeded expenditures by \$17,647 for fiscal year 2012, which was \$17,647 better than the balanced budget. Water sales revenues were over budget by \$2,791. Total revenues exceeded budget by \$12,933 due to the increased water sales and connection fees from new customers. Expenditures were less than budget by \$4,714.

Sewer Fund

The Sewer Fund ended with net assets of \$6,220,020 of which \$5,545,517 is net investment in plant and equipment, \$278,695 is restricted for various capital projects leaving a balance of \$395,808 as unrestricted. Schedule 4 compares actual activity to the budget using the basis of accounting that is used for budgetary and rate setting purposes which differs from generally accepted accounting principles. The schedule reflects capital projects costs and principal payments on long-term debt as expenditures and does not include depreciation expense. Using this basis of accounting, revenues were greater than expenditures by \$36,914 for fiscal year 2012, which was \$36,914 better than budget. Revenues were greater than budget by \$97,698 and expenses were greater than budget by \$60,784. Factors contributing to this included higher revenues from outside haulers bringing septage and sludge to the plant for treatment, including from the City of South Burlington, which had a treatment plant under construction. These additional revenues were partially offset by increased chemical and sludge disposal costs associated with treating the additional septage and sludge. Employee benefit costs were less than budget by \$19,500 due to a change in health and LTD insurance carriers.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the Town had \$29,597,205 invested in a broad range of capital assets, including police and fire/rescue equipment, buildings, park facilities, highway/stormwater infrastructure, vehicles and water and sewer lines (See Table 4 below). This amount represents a net increase (including additions and deductions) of \$715,543, compared to last year.

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

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,280,571	1,107,971	11,000	11,000	1,291,571	1,118,971
Construction in progress	7,621	399,471	-	-	7,621	399,471
Buildings and improvements	4,608,798	4,884,912	-	-	4,608,798	4,884,912
Vehicles and equipment	2,488,024	1,966,889	59,434	42,710	2,547,458	2,009,599
Infrastructure	5,383,671	4,471,077	-	-	5,383,671	4,471,077
Water and sewer systems	-	-	15,576,517	15,873,477	15,576,517	15,873,477
Library	181,569	124,155	-	-	181,569	124,155
Totals	\$ 13,950,254	12,954,475	15,646,951	15,927,187	29,597,205	28,881,662

TOWN OF SHELBURNE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

Major additions during the year ended June 30, 2012 include the following: *

Clerks Office: Digitalization of land records	\$	40,515
Fire Dept.: Air Packs & air compressor		32,529
Highway Dept.: Ford F550 Dump Trk		71,866
Highway Dept.: International dump truck replacement		127,625
Highway Dept: Harbor Road sidewalk & crosswalks		30,638
Highway Dept: LED street lights project		77,699
Highway Dept: Longmeadow stormwater system		64,524
Library: Books & Tapes purchased & donated		43,652
Library: Replacement elevator		30,413
Police Dept.: Dispatch communications equipment		365,074
Police Dept: Cruiser replacement		30,519
Recreation: Beach playground replacement		31,768
Recreation: Land for Dog Park (donated)		172,600
Recreation: Webster Road Bike/Pedestrian path		650,421
Wastewater Dept.: Utility truck		34,602
Water Dept.: Access road - Spear Street tank		54,842
Water Dept.: Webster Road water line replacement		107,844
	\$	<u>1,967,131</u>

* Includes assets valued \$30,000 or greater

UPCOMING CAPITAL PROJECTS

Capital projects in the Town's FY 2012-13 budget for Governmental Funds include replacement of a highway dept. truck, police cruiser, fire station roof replacement, fire dept. air pack replacements, police dispatch equipment upgrades, road base improvements, sidewalk and bike/pedestrian path construction, Clerks office records automation and playground equipment replacement.

Capital projects planned in FY 2012-13 within the Business-type (water/sewer) activity group include waterline replacements/upgrades and sewer collection system repairs. More detailed information about the Town's capital assets is presented in Notes 1 and 5 of the financial statements.

Debt Administration

At June 30, 2012, the Town had \$13,255,054 in bonds and notes outstanding versus \$14,301,880 on June 30, 2011 - a decrease of \$1,046,826 - as shown in Table 5.

Table 5 - Changes in Long-term Debt

	General	Proprietary	
	Bonds, Notes	Bonds, Notes	Total
Balances June 30, 2011	\$ 5,837,417	8,464,463	14,301,880
Principal payments	(543,294)	(702,532)	(1,245,826)
Loan proceeds	170,000	29,000	199,000
Balances June 30, 2012	<u>\$ 5,464,123</u>	<u>7,790,931</u>	<u>13,255,054</u>

New debt was issued in the General Fund category for highway equipment acquisitions. New debt was issued in the Proprietary Fund group for a Sewer Department pickup truck.

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YEAR ENDED JUNE 30, 2012

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2013 General Fund (Town) and Enterprise Fund (Water/Sewer), budgets, tax rates, and user fees. One of those factors was the economy and unemployment in the region. Shelburne's unemployment rate was 3.7% in June 2012, compared to 4.5% in June 2011. These rates remained below the state unemployment rate, which was 4.7% in June 2012 and 5.7% in June 2011. The Town grand list contains a mix of residential commercial and industrial properties. The total assessed value of all taxable properties in Shelburne was \$1.451 billion dollars in July 2012, which was an increase of 1% from 2011. Of the total grand list, 72% of the total value is from residential properties, 16% is from Commercial, Industrial and utility properties and 12% is from farm/land/miscellaneous properties. The town's commercial/industrial categories contain a mixture of retail, manufacturing and tourist uses as well as retirement communities. While real estate values have declined for some properties in the past year, Shelburne's 100.39% common level of appraisal (determined by the State of Vermont) indicates overall assessed values are at market value. Shelburne continues to be a desirable community to live in, with several new residential projects under construction or planned in the upcoming years. We have also seen an increase in commercial building projects within the last year. One hundred fifty four building permits were issued in 2012 compared to 150 permits in 2011. The 2012 building permits are estimated to add \$17.3 million in construction costs to the grand list. Shelburne's municipal property tax rate is competitive with other Chittenden County towns that provide similar services. When adopting the budget for 2012-13, the Selectboard balanced the need to maintain existing services and town infrastructure with an affordable tax rate, given the current economic climate. The municipal tax rate of \$0.3374 in FY 2012-13 was an increase of 2.6% from FY 2011-12.

As for the Town's business-type activities, the Selectboard approved a rate increase of 4.8% in the sewer user fee effective July 1, 2012. This increase was mainly due to debt service associated with capital projects and declining sales volumes. The water rate was increased by 5% to \$5.30 per thousand gallons effective July 1, 2012. Sales volumes continue to decline somewhat following the trend of prior years. The Water and Sewer budgets have experienced lower annual sales in recent years due to conservation, weather, demographics and economic conditions. The Selectboard and Water commission continue to monitor the activities of these funds closely with the objective of achieving stable rates while maintaining the system infrastructure, reliability and meeting regulatory requirements

TOWN OF SHELBURNE, VERMONT
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash	\$ 1,820,120	936,042	2,756,162
Investments	327,051	-	327,051
Accounts receivable:			
Property taxes, net	210,858	-	210,858
State of Vermont	44,104	-	44,104
Federal government	35,777	-	35,777
Other	210,559	-	210,559
Water/sewer and other fees	-	690,027	690,027
Prepaid expenses	4,474	15,948	20,422
Internal balances	657,818	(657,818)	-
Inventories	-	2,500	2,500
Total current assets	3,310,761	986,699	4,297,460
Noncurrent assets:			
Loan receivable	530,000	-	530,000
Capital assets, not depreciated:			
Land	1,280,571	11,000	1,291,571
Construction in progress	7,621	-	7,621
Capital assets, depreciated:			
Buildings and improvements	9,285,433	22,942,501	32,227,934
Vehicles and equipment	4,686,879	205,822	4,892,701
Infrastructure	5,864,003	-	5,864,003
Library collection	269,589	-	269,589
Accumulated depreciation	(7,443,842)	(7,512,372)	(14,956,214)
Total capital assets	13,950,254	15,646,951	29,597,205
Total noncurrent assets	14,480,254	15,646,951	30,127,205
Total assets	\$ 17,791,015	16,633,650	34,424,665
Liabilities:			
Current liabilities:			
Accounts payable	\$ 255,695	199,935	455,630
Deferred revenue	29,952	6,426	36,378
Accrued interest	23,543	-	23,543
Accrued salaries	79,303	-	79,303
Bonds and notes payable due within one year	607,395	706,060	1,313,455
Total current liabilities	995,888	912,421	1,908,309
Noncurrent liabilities:			
Accrued compensated absences	259,438	39,934	299,372
Bonds and notes payable due after one year	4,856,728	7,084,871	11,941,599
Total noncurrent liabilities	5,116,166	7,124,805	12,240,971
Total liabilities	6,112,054	8,037,226	14,149,280
Net assets:			
Unrestricted	1,589,166	461,709	2,050,875
Restricted for:			
Capital projects	276,741	278,695	555,436
Endowments	423,731	-	423,731
Special projects	373,192	-	373,192
Community development	530,000	-	530,000
Invested in capital assets, net of related debt	8,486,131	7,856,020	16,342,151
Total net assets	\$ 11,678,961	8,596,424	20,275,385

See accompanying notes to financial statements.

TOWN OF SHELburnE, VERMONT
Statement of Activities
June 30, 2012

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,755,165	538,160	213,412	44,189	(959,404)	(959,404)
Public safety	2,110,253	556,092	357,003	246,446	(950,712)	(950,712)
Highway/Public works	1,057,697	82,939	461,406	20,177	(493,175)	(493,175)
Land conservation	7,700	-	90	-	(7,610)	(7,610)
Health and welfare	68,435	3,550	1,400	-	(63,485)	(63,485)
Education	23,718	-	54,278	-	30,560	30,560
Recreation and parks	116,928	246,248	48,592	-	177,912	177,912
Library	219,610	-	21,654	-	(197,956)	(197,956)
Employee benefits	975,485	-	-	-	(975,485)	(975,485)
Debt management	230,199	-	-	-	(230,199)	(230,199)
Total governmental activities	6,565,190	1,426,989	1,157,835	310,812	(3,669,554)	(3,669,554)
Business-type activities:						
Water	852,721	881,523	-	-	28,802	28,802
Sewer	1,493,760	1,647,867	-	83,803	237,910	237,910
Total business-type activities	2,346,481	2,529,390	-	83,803	266,712	266,712
Total primary government	\$ 8,911,671	3,956,379	1,157,835	394,615	266,712	(3,402,842)
General revenues:						
Property taxes					4,830,205	4,830,205
Investment earnings					15,052	8,534
Miscellaneous					6,648	13,825
Total general revenues and transfers					4,851,905	22,359
Change in net assets					1,182,351	289,071
Net assets - beginning					10,496,610	8,307,353
Net assets - ending					\$ 11,678,961	8,596,424
						20,275,385

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 343,433	1,476,687	1,820,120
Investments	-	327,051	327,051
Due from State of Vermont	44,104	-	44,104
Due from federal government	35,777	-	35,777
Accounts receivable - other	98,768	111,791	210,559
Delinquent taxes receivable	210,858	-	210,858
Prepaid expenses	4,424	50	4,474
Due from other funds	550,988	883,225	1,434,213
Note receivable	-	530,000	530,000
Total assets	\$ 1,288,352	3,328,804	4,617,156
Liabilities:			
Accounts payable	\$ 205,155	47,984	253,139
Accrued payroll	79,303	-	79,303
Due to State of Vermont	2,556	-	2,556
Due to other funds	-	776,395	776,395
Deferred revenue	208,008	530,000	738,008
Total liabilities	495,022	1,354,379	1,849,401
Fund Balances:			
Nonspendable	4,424	-	4,424
Restricted:			
Permanent funds	-	423,731	423,731
Special revenue funds	-	373,192	373,192
Capital projects	19,600	257,141	276,741
Committed:			
Special revenue funds	-	929,039	929,039
Capital projects funds	-	147,393	147,393
Assigned:			
FY 2013 expenses	149,845	-	149,845
Special revenue funds	-	7,770	7,770
Capital projects	28,000	173,115	201,115
Unassigned	591,461	(336,956)	254,505
Total fund balances	793,330	1,974,425	2,767,755
Total liabilities and fund balances	\$ 1,288,352	3,328,804	4,617,156

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds (from page 14)		\$ 2,767,755
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,950,254
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds:		
Deferred note revenue	\$ 530,000	
Deferred property taxes	<u>178,056</u>	708,056
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds and notes payable	\$ 5,464,123	
Accrued interest on bonds and notes payable	23,543	
Accrued compensated absences	<u>259,438</u>	(5,747,104)
Net assets of governmental activities (page 12)		<u>\$ 11,678,961</u>

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues:			
Property taxes, net of adjustments	\$ 4,752,187	-	4,752,187
Penalties and interest	76,959	-	76,959
Intergovernmental revenues	921,418	82,487	1,003,905
Contributions and grants	5,808	560,739	566,547
Charges for services	274,826	-	274,826
Investment income	1,315	13,737	15,052
Fees and licenses	551,573	328,360	879,933
Building rental and lease	135,651	-	135,651
Other	9,015	32,407	41,422
Total revenues	6,728,752	1,017,730	7,746,482
Expenditures:			
General government	1,516,435	47,517	1,563,952
Public safety	1,974,222	10,790	1,985,012
Highway/Public works	1,002,413	-	1,002,413
Land conservation	-	7,700	7,700
Health and welfare	66,648	-	66,648
Education	-	23,718	23,718
Recreation and parks	259,053	41,064	300,117
Library	242,895	-	242,895
Employee benefits	963,131	-	963,131
Debt management	701,519	70,943	772,462
Capital outlays	-	1,162,830	1,162,830
Total expenditures	6,726,316	1,364,562	8,090,878
Excess (deficiency) of revenues over expenditures	2,436	(346,832)	(344,396)
Other financing sources (uses):			
Loan proceeds	-	170,000	170,000
Operating transfers in	297,900	191,625	489,525
Operating transfers out	(191,325)	(298,200)	(489,525)
	106,575	63,425	170,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	109,011	(283,407)	(174,396)
Fund balance, July 1, 2011	684,319	2,257,832	2,942,151
Fund balance, June 30, 2012	\$ 793,330	1,974,425	2,767,755

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2012

Net change in fund balances - total governmental funds (from page 16)	\$ (174,396)
Revenues 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 revenues in the funds. This amount represents an increase in deferred property taxes.	1,059
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	995,779
In the statement of activities, accrued compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned exceeded the amounts used.	(12,354)
Issuance of long-term obligations is recorded as an other financing source in the governmental funds, but increases long-term liabilities in the statement of net assets	(170,000)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	542,263
Change in net assets of governmental activities (page 13)	\$ <u><u>1,182,351</u></u>

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property taxes:			
Property taxes	\$ 4,720,798	4,714,162	(6,636)
Special assessments	52,424	51,951	(473)
Penalties and interest	73,500	76,959	3,459
Abatements and adjustments	-	(13,926)	(13,926)
	<u>4,846,722</u>	<u>4,829,146</u>	<u>(17,576)</u>
Administration			
Liquor licenses	2,500	2,680	180
Animal licenses	4,500	4,854	354
Fish and game licenses	100	114	14
Maniage/Civil Union licenses	500	580	80
Recording fees	50,000	66,183	16,183
Passport fees and photos	5,000	9,205	4,205
Miscellaneous	200	900	700
Copier use	5,500	7,021	1,521
Vital statistics copies	2,000	6,721	4,721
Other fees	2,200	2,686	486
	<u>72,500</u>	<u>100,944</u>	<u>28,444</u>
Highway revenue:			
Received for state aid/grant	136,700	139,288	2,588
Construction reimbursements	-	760	760
Grants	45,000	19,417	(25,583)
Permits	14,100	26,895	12,795
	<u>195,800</u>	<u>186,360</u>	<u>(9,440)</u>
Police department:			
Judicial fees	60,000	74,340	14,340
Special duty reimbursement	40,000	119,307	79,307
COPS police grant	63,827	62,184	(1,643)
Governor's Highway Safety grants	-	144,042	144,042
Dispatch contracts	160,000	136,579	(23,421)
E911 operation grant	90,000	90,000	-
Other	18,800	29,697	10,897
	<u>432,627</u>	<u>656,149</u>	<u>223,522</u>
Cemeteries			
	<u>1,400</u>	<u>1,400</u>	<u>-</u>
Planning and zoning:			
Permits and fees	55,750	48,733	(7,017)
Grant revenue	33,050	20,622	(12,428)
	<u>88,800</u>	<u>69,355</u>	<u>(19,445)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Recreation department:</i>			
Sale of beach stickers	\$ 8,450	11,779	3,329
Fees and recreation programs	159,416	155,463	(3,953)
	<u>167,866</u>	<u>167,242</u>	<u>(624)</u>
<i>Library revenue</i>	<u>-</u>	<u>207</u>	<u>207</u>
<i>Financial management:</i>			
Investment interest	10,000	1,315	(8,685)
Applied surplus	140,405	-	(140,405)
FEMA reimbursement	-	44,189	44,189
	<u>150,405</u>	<u>45,504</u>	<u>(104,901)</u>
<i>Miscellaneous revenue</i>			
Administration - water and sewer	125,822	125,822	-
Rescue First aid/CPR class fees	-	1,770	1,770
Insurance claims	-	6,648	6,648
Fire/Rescue grants	-	8,626	8,626
Other	2,000	2,223	223
Street Light Grants	-	30,604	30,604
Stormwater Grants	-	69,294	69,294
Payment in lieu of taxes	5,500	5,808	308
State current use tax payment	100,000	115,918	15,918
Act 60 Administration	38,000	38,432	432
Cellular tower fees	75,700	86,014	10,314
Mooring fees	44,300	45,635	1,335
CSSU Village center lease	64,000	64,000	-
CSSU building maint. Allocation	36,600	33,008	(3,592)
Use of Town Hall /Town Center	12,000	10,907	(1,093)
Pierson Library lease	28,567	27,736	(831)
	<u>532,489</u>	<u>672,445</u>	<u>139,956</u>
<i>Total revenues</i>	<u>6,488,609</u>	<u>6,728,752</u>	<u>240,143</u>
<i>Expenditures:</i>			
<i>Select Board</i>			
Salaries	\$ 6,300	6,300	-
Selectboard's expenses	5,900	6,527	(627)
VLCT dues	7,666	7,666	-
Town reports	2,200	2,486	(286)
	<u>22,066</u>	<u>22,979</u>	<u>(913)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Legal Services	\$ 60,000	54,802	5,198
Administration - Municipal Offices			
Office supplies	7,300	6,221	1,079
Computer hardware	14,400	11,965	2,435
Telephone	14,200	11,239	2,961
Computer software	3,000	2,024	976
Technical assistance	5,000	9,094	(4,094)
Training	7,900	8,674	(774)
Office equipment and repair	1,000	993	7
Bank charges	-	97	(97)
Postage	17,400	18,039	(639)
Copier expense	7,000	5,701	1,299
Computer technical assistance	10,000	8,963	1,037
CSSU data line	4,500	4,500	-
	<u>91,700</u>	<u>87,510</u>	<u>4,190</u>
Town Manager			
Salaries	131,071	131,071	-
Manager's expenses	2,300	370	1,930
Vehicle expense	2,500	2,500	-
Emergency management	1,000	325	675
	<u>136,871</u>	<u>134,266</u>	<u>2,605</u>
Elections			
Salaries	1,750	970	780
Election expense	1,800	1,137	663
BCA expenses	750	320	430
	<u>4,300</u>	<u>2,427</u>	<u>1,873</u>
Finance and insurance			
Salaries	174,779	174,215	564
Property and liability insurance	165,000	171,937	(6,937)
Insurance claims - deductible	2,500	7,691	(5,191)
Auditing	16,300	14,600	1,700
	<u>358,579</u>	<u>368,443</u>	<u>(9,864)</u>
Town Clerk / Treasurer			
Salaries	119,264	121,375	(2,111)
Expense	2,500	1,268	1,232
Office expenses	4,500	5,406	(906)
Microfilming and preservation	5,500	6,260	(760)
Records automation	72,000	59,192	12,808
Computer software and hardware	1,000	-	1,000
	<u>204,764</u>	<u>193,501</u>	<u>11,263</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Planning and Zoning</i>			
Salaries	\$ 132,673	133,594	(921)
Planning expense	8,500	5,276	3,224
Conferences and training	900	270	630
Town Plan and special projects	46,300	5,000	41,300
VTDHP CLG-11-08	-	12,382	(12,382)
VT DEHCD MP2011-SH-00015	-	10,790	(10,790)
Planning assistance	7,000	4,730	2,270
Independent technical review	2,500	406	2,094
GIS software	425	-	425
	<u>198,298</u>	<u>172,448</u>	<u>25,850</u>
<i>Assessor's Office</i>			
Salaries	34,271	34,272	(1)
Administrative assistant	19,226	19,289	(63)
Assessor expenses	4,000	3,561	439
	<u>57,497</u>	<u>57,122</u>	<u>375</u>
<i>Buildings and Grounds</i>			
Salaries	92,426	87,934	4,492
Town Center operating expenses	39,150	31,393	7,757
Town parade ground expenses	-	335	(335)
Shelburne dog park	-	9,085	(9,085)
Town Center building maintenance	6,800	6,774	26
Town Hall operating expense	1,600	1,051	549
Town Hall building maintenance	5,500	3,738	1,762
Town Hall heating fuel	10,700	7,919	2,781
Town Center heating fuel	22,600	19,162	3,438
Town Center Utilities	49,500	45,177	4,323
Pierson Building utilities and maintenance	5,000	812	4,188
Recreation fields maintenance	8,500	7,425	1,075
Capital projects	78,905	30,913	47,992
LaPlatte overlook path	-	1,830	(1,830)
	<u>320,681</u>	<u>253,548</u>	<u>67,133</u>
<i>Public Works</i>			
Salaries	71,640	71,640	-
Stormwater engineering and planning	1,000	-	1,000
Administrative expenses	4,250	3,202	1,048
Stormwater permits	6,870	8,852	(1,982)
Stormwater maintenance	9,000	12,468	(3,468)
Longmeadow stormwater project	-	64,524	(64,524)
2011 LED streetlight project	-	15,479	(15,479)
EH10(6) Shel Falls Path	-	22,385	(22,385)
Harbor Road Sidewalk bond project	-	30,638	(30,638)
	<u>92,760</u>	<u>229,188</u>	<u>(136,428)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Harbormaster</i>			
Salaries	\$ 4,698	4,629	69
Mooring inspections/maintenance	16,707	21,273	(4,566)
Seasonal dock installation/removal	3,000	6,177	(3,177)
Maintenance/administration	300	553	(253)
Capital Improvements	5,600	7,658	(2,058)
	<u>30,305</u>	<u>40,290</u>	<u>(9,985)</u>
<i>Police Department</i>			
Salaries	712,822	731,044	(18,222)
Overtime salaries	94,819	108,269	(13,450)
Special duty details	25,000	80,174	(55,174)
FEMA security detail	-	1,591	(1,591)
Office	8,000	10,890	(2,890)
Telephone	12,000	12,615	(615)
Radio	10,260	6,254	4,006
Travel and conferences	2,500	2,413	87
Photos	2,500	1,404	1,096
Training	7,000	6,544	456
Gasoline	37,000	48,280	(11,280)
Tires	2,800	3,248	(448)
Vehicle maintenance and repairs	9,500	12,296	(2,796)
General equipment	4,500	6,209	(1,709)
Fingerprint equipment and supplies	-	3,338	(3,338)
Fingerprint equipment expense	3,000	9	2,991
Uniform purchases	8,000	5,675	2,325
Uniform cleaning	5,000	5,073	(73)
Computer use	13,000	11,488	1,512
Computer maintenance	15,000	10,567	4,433
Building maintenance	2,000	2,683	(683)
Matching funds	1,000	-	1,000
Capital improvement	3,700	1,781	1,919
Animal enforcement	3,000	3,016	(16)
Police/C.U.S.I.	9,427	6,535	2,892
DPS Car Seat Grant	-	2,776	(2,776)
Governors Highway Safety grants	-	136,412	(136,412)
	<u>991,828</u>	<u>1,220,584</u>	<u>(228,756)</u>
<i>Fire Department</i>			
Salaries	31,000	30,587	413
Office supplies and phones	6,670	6,496	174
Building heat and service	8,430	8,229	201
Fire prevention - training	5,000	4,260	740
Radio maintenance	2,250	3,005	(755)
Protective clothing	12,000	18,417	(6,417)
Gas and oil	3,700	5,207	(1,507)

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Fire Department (continued)</i>			
Fire fighting supplies	\$ 4,150	4,514	(364)
Equipment maintenance	15,000	12,292	2,708
Building maintenance	5,500	3,003	2,497
Equipment	6,100	9,683	(3,583)
DPS grant	-	10,723	(10,723)
Improvements	25,200	25,422	(222)
Periodicals	2,000	973	1,027
Physicals/PFT test	4,000	-	4,000
Membership events and incentives	4,500	4,075	425
	<u>135,500</u>	<u>146,886</u>	<u>(11,386)</u>
<i>Public Safety and Dispatch</i>			
Dispatch salaries	330,977	327,024	3,953
Overtime salaries	29,649	44,820	(15,171)
Training	3,000	2,564	436
Uniforms	1,900	882	1,018
Capital improvements	1,500	2,033	(533)
Dispatch radio equipment	14,377	5,404	8,973
	<u>381,403</u>	<u>382,727</u>	<u>(1,324)</u>
<i>Public Works - Highways</i>			
Salaries	238,650	233,709	4,941
Overtime salaries	26,832	15,430	11,402
Interdepartmental assistance	1,835	335	1,500
Road Maintenance	25,000	27,198	(2,198)
Drainage System/culvert maintenance	10,000	14,982	(4,982)
Farmstead Dr. signage	-	285	(285)
Construction Projects	50,000	29,756	20,244
Retreatment/repaving	315,000	271,131	43,869
Sidewalk/paths engineering	1,000	366	634
Garage heating fuel	8,500	6,734	1,766
Engineering services	1,500	1,809	(309)
Street signs	6,000	4,958	1,042
Winter sand	-	3,959	(3,959)
Winter salt	85,000	41,284	43,716
Garage utilities	10,325	10,630	(305)
Uniforms	3,800	2,816	984
Gas and diesel	30,000	25,083	4,917
Equipment repair and maintenance	47,000	48,942	(1,942)
Street and caution lights	7,580	7,000	580
Garage supplies	5,000	4,207	793
Building maintenance	1,000	201	799
Line striping and crosswalks	6,500	800	5,700
Flooding damage May 2011	-	21,610	(21,610)
	<u>880,522</u>	<u>773,225</u>	<u>107,297</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Health and Social Services</i>			
Salary	\$ 875	-	875
Visiting Nurse Association	20,600	20,600	-
Social services	10,000	10,000	-
Health Officer expenses	450	-	450
	<u>31,925</u>	<u>30,600</u>	<u>1,325</u>
<i>Rescue</i>			
Medical supplies	13,000	13,300	(300)
Rescue overtime	1,152	2,382	(1,230)
Uniforms	1,500	901	599
Operating	10,000	14,419	(4,419)
Transport billing expense	14,000	12,360	1,640
Oxygen	2,000	3,998	(1,998)
Training	5,000	4,631	369
Office	2,000	2,482	(482)
Office equipment	1,000	665	335
Communications	5,000	2,124	2,876
Vehicle	8,000	9,875	(1,875)
Building heating fuel	2,200	2,744	(544)
Building utilities	4,700	3,820	880
Building maintenance	10,000	4,433	5,567
Volunteer compensation	16,500	16,619	(119)
Volunteer incentive compensation	66,000	51,003	14,997
Compensation - full/part-time	39,564	37,979	1,585
Membership incentive	1,500	-	1,500
Immunizations	150	-	150
Public education	1,000	-	1,000
	<u>204,266</u>	<u>183,735</u>	<u>20,531</u>
<i>Cemeteries</i>			
Salaries	27,444	24,553	2,891
Supplies and tools	900	431	469
Committee expenses	200	-	200
Gas expense	900	1,183	(283)
Equipment maintenance	350	437	(87)
Equipment purchases	350	245	105
Capital projects	4,000	2,728	1,272
Outside services	2,500	5,536	(3,036)
Cremation garden	1,000	935	65
	<u>37,644</u>	<u>36,048</u>	<u>1,596</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation			
Administrative salaries	\$ 68,756	68,857	(101)
Administrative expenses	4,325	4,192	133
Public information	6,570	6,070	500
Beach salaries	16,595	10,192	6,403
Equipment	1,175	1,034	141
Utilities	2,200	2,075	125
Adult sports leagues	125	84	41
Dog obedience	3,500	1,285	2,215
Davis Park	3,560	2,253	1,307
Park maintenance	14,880	5,353	9,527
Martial arts	6,490	4,382	2,108
Beach maintenance	1,000	1,071	(71)
Lacrosse programs	6,018	10,578	(4,560)
Swim lessons	240	-	240
Youth basketball	3,405	3,946	(541)
Babe Ruth baseball	7,450	4,216	3,234
Summer soccer camp	15,513	-	15,513
Softball	3,220	4,081	(861)
Youth soccer	8,285	4,897	3,388
Little league baseball	18,320	28,591	(10,271)
Summer baseball league	390	760	(370)
Rec. programs - non-league	29,303	36,730	(7,427)
Special events and concerts	11,200	12,745	(1,545)
Ski program	13,300	8,145	5,155
Playground upgrades	19,500	31,768	(12,268)
Trail and beach repair	-	4,115	(4,115)
Bay Park	-	1,633	(1,633)
	<u>265,320</u>	<u>259,053</u>	<u>6,267</u>
Library			
Salaries	164,494	163,080	1,414
Supplies	4,500	4,101	399
Materials	38,000	40,252	(2,252)
Building	6,500	4,576	1,924
Utilities	15,600	13,721	1,879
Equipment purchase and maintenance	1,800	1,587	213
Office equipment	-	10	(10)
Public information	1,250	1,058	192
Administrative	3,000	3,027	(27)
Programs	3,500	4,048	(548)
Computer hardware and software	7,000	6,473	527
Outside Services	1,000	962	38
	<u>246,644</u>	<u>242,895</u>	<u>3,749</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Debt Management</i>			
Fire truck note	\$ 54,700	54,700	-
Town Center project	356,824	356,824	-
Highway sand and salt shed	35,301	35,301	-
Recreation fields project	121,140	121,140	-
Bike Path bond 2008 issue	29,678	29,678	-
Recreation path bond 2010 issue	33,136	33,136	-
Beach sea wall 2010 issue	18,316	18,316	-
Beaver Creek 2010 issue	52,424	52,424	-
Dispatch radio equipment	1,519	-	1,519
	<u>703,038</u>	<u>701,519</u>	<u>1,519</u>
<i>Intergovernmental</i>			
County tax	51,000	50,544	456
G.B.J.C.	1,200	1,200	-
Chittenden County Regional Planning	9,590	9,590	-
Chittenden County Transit Authority	91,674	91,674	-
Metropolitan Planning Organization	8,978	8,978	-
	<u>162,442</u>	<u>161,986</u>	<u>456</u>
<i>Employee Benefits</i>			
Retirement	125,452	130,050	(4,598)
Unemployment compensation	14,500	12,142	2,358
HRA expenses	110,200	150,492	(40,292)
Health ins./flex spending admin. Expense	4,000	18,196	(14,196)
Social security	202,503	210,891	(8,388)
Health insurance	448,673	354,020	94,653
Long-term disability insurance	42,801	13,430	29,371
Dental and life insurance	48,804	49,670	(866)
Employee assistance program	700	513	187
Employee events/recognition	-	676	(676)
VSP vision plan	-	4	(4)
Immunizations	1,000	11,655	(10,655)
Merit pay	15,826	11,392	4,434
	<u>1,014,459</u>	<u>963,131</u>	<u>51,328</u>
<i>Miscellaneous</i>			
Selectboard discretionary	3,700	2,360	1,340
Community events	1,500	1,315	185
Tree conservation	1,000	2,450	(1,450)
Community support	3,500	111	3,389
Miscellaneous expense	-	1,167	(1,167)
	<u>9,700</u>	<u>7,403</u>	<u>2,297</u>
<i>Total expenditures</i>	<u>6,642,512</u>	<u>6,726,316</u>	<u>(83,804)</u>

(continued)

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (continued)
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	\$ (153,903)	2,436	156,339
<i>Other financing sources (uses)</i>			
Transfer from Records Preservation Fund	72,000	59,192	(12,808)
Transfer from Cemetery Fund	3,000	3,000	-
Transfer from Baseball Fund	-	17,637	17,637
Transfer from Ambulance Fund	227,728	183,339	(44,389)
Transfer from Bay Park Fund	10,500	-	(10,500)
Transfer from Recreation Impact Fees	22,000	22,000	-
Transfer from Recreation Scholarship Fund	-	565	565
Transfer from VLTC Health Leader Program	10,000	10,000	-
Transfer from Fire Truck Fund	-	2,167	2,167
Transfer to Police Cruiser	(43,725)	(43,725)	-
Transfer to Equipment Replacement Fund	(126,000)	(126,000)	-
Transfer to Cemetery Tractor Fund	(1,600)	(1,600)	-
Transfer to Open Space Fund	(20,000)	(20,000)	-
	<u>153,903</u>	<u>106,575</u>	<u>(47,328)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</i>	\$ <u>-</u>	109,011	<u>109,011</u>
<i>Fund balance, July 1, 2011</i>		<u>684,319</u>	
<i>Fund balance, June 30, 2012</i>		\$ <u><u>793,330</u></u>	

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Sewer Fund	Water Fund	Totals
Assets:			
Current assets:			
Cash and cash equivalents - restricted	\$ 264,426	671,616	936,042
User fee receivables:			
Billed user fees	72,965	27,931	100,896
Unbilled user fees	357,827	214,034	571,861
Allowance for doubtful accounts	(10,000)	-	(10,000)
Accounts receivable - other	16,590	10,680	27,270
Inventories	-	2,500	2,500
Due from other funds	89,503	-	89,503
Prepaid expenses	15,948	-	15,948
Total current assets	807,259	926,761	1,734,020
Capital assets:			
Land	11,000	-	11,000
Buildings, improvements and distribution and collection systems	18,495,790	4,446,711	22,942,501
Vehicles and equipment	106,561	99,261	205,822
Less accumulated depreciation	(5,992,403)	(1,519,969)	(7,512,372)
Total non-current assets	12,620,948	3,026,003	15,646,951
Total assets	\$ 13,428,207	3,952,764	17,380,971
Liabilities:			
Current liabilities:			
Accounts payable	\$ 106,514	93,421	199,935
Due to other funds	-	747,321	747,321
Deferred revenue	-	6,426	6,426
Bonds payable, current portion	638,310	67,750	706,060
Total current liabilities	744,824	914,918	1,659,742
Bonds payable, less current portion	6,437,121	647,750	7,084,871
Compensated absences	26,242	13,692	39,934
Total liabilities	7,208,187	1,576,360	8,784,547
Net Assets:			
Invested in capital assets, net of related debt	5,545,517	2,310,503	7,856,020
Restricted for:			
Sewer capital improvements	42,938	-	42,938
Route 7 sewer project	4,571	-	4,571
Sewer telemetry	16,782	-	16,782
Sewer expansion	214,404	-	214,404
Water projects	-	-	-
Unrestricted	395,808	65,901	461,709
Total net assets	6,220,020	2,376,404	8,596,424
Total liabilities and net assets	\$ 13,428,207	3,952,764	17,380,971

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Sewer Fund	Water Fund	Totals
<i>Operating revenues:</i>			
Usage fees	\$ 1,619,419	800,945	2,420,364
Cut-in fees and tank space rent	-	50,800	50,800
Interest and penalties	28,448	13,304	41,752
Meter reading contract	-	16,474	16,474
Miscellaneous	4,262	9,563	13,825
	1,652,129	891,086	2,543,215
<i>Operating expenses:</i>			
Personnel services and benefits	359,433	232,201	591,634
Administrative expenses	62,911	62,911	125,822
Water supply and engineering	-	317,278	317,278
Sludge removal	128,972	-	128,972
Facility maintenance and utilities	277,322	81,088	358,410
Electricity	163,076	-	163,076
Meter reading contract	16,474	-	16,474
General insurance	25,000	10,000	35,000
Depreciation	396,374	102,372	498,746
Other	40,483	14,387	54,870
Total operating expenses	1,470,045	820,237	2,290,282
<i>Operating income (loss)</i>	182,084	70,849	252,933
<i>Nonoperating revenues (expenses):</i>			
Interest and dividend income	2,362	6,172	8,534
Gain (loss) on sale of capital assets	-	-	-
Interest expense	(23,715)	(32,484)	(56,199)
	(21,353)	(26,312)	(47,665)
<i>Income (loss) before capital contributions and operating transfers</i>	160,731	44,537	205,268
Capital contributions - capacity fees	83,803	-	83,803
	83,803	-	83,803
<i>Change in net assets</i>	244,534	44,537	289,071
<i>Total net assets - beginning</i>	5,975,486	2,331,867	8,307,353
<i>Total net assets - ending</i>	\$ 6,220,020	2,376,404	8,596,424

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Totals
<i>Cash flows from operating activities:</i>			
Cash receipts from customers	\$ 1,661,513	845,476	2,506,989
Other operating cash receipts	4,262	26,037	30,299
Cash payments to suppliers of goods or services	(755,073)	(417,813)	(1,172,886)
Cash payments to employees for services	(359,433)	(232,201)	(591,634)
<i>Net cash provided by operating activities</i>	551,269	221,499	772,768
<i>Cash flows from non-capital financing activities:</i>			
Operating transfers from (to) other funds	83,803	-	83,803
Advances from (to) other funds	(76,022)	107,692	31,670
<i>Net cash provided by non-capital financing activities</i>	7,781	107,692	115,473
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on bonds	(560,732)	(112,800)	(673,532)
Interest paid on long-term debt	(23,715)	(32,484)	(56,199)
Purchase of capital assets	(34,602)	(183,908)	(218,510)
<i>Net cash used in capital and related financing activities</i>	(619,049)	(329,192)	(948,241)
<i>Cash flows from investing activities:</i>			
Interest on cash investments	2,362	6,172	8,534
<i>Net cash provided by investing activities</i>	2,362	6,172	8,534
<i>Net increase (decrease) in cash</i>	(57,637)	6,171	(51,466)
<i>Cash, beginning</i>	322,063	665,445	987,508
<i>Cash, ending</i>	\$ 264,426	671,616	936,042
<i>Reconciliation of operating income to net cash provided by operating activities:</i>			
Operating income	\$ 182,084	70,849	252,933
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	396,374	102,372	498,746
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable and other receivables	13,646	(19,573)	(5,927)
Decrease in prepaid expenses	4,246	4,362	8,608
Increase (decrease) in accounts payable and accrued liabilities	(45,081)	63,489	18,408
<i>Net cash provided by operating activities</i>	\$ 551,269	221,499	772,768

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 Year Ended June 30, 2012

	Escrow Accounts
<i>Assets:</i>	
Cash	\$ 53,125
<hr/>	
<i>Liabilities:</i>	
Due to other organizations	\$ 53,125
<hr/>	

See accompanying notes to financial statements.

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies*

(a) *Financial Reporting Entity*

The Town of Shelburne, Vermont (the Town), was chartered in 1763. The Town operates under a Selectboard-Manager form of government. The Town's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water and sewer system.

The accompanying financial statements of the Town of Shelburne, Vermont include all of the financial activity of the general government, special revenue funds, capital projects funds, permanent funds, water department and sewer department. All these components are included because they are under the direct control of the Select Board and the Town Manager. The Town exercises significant oversight and financial interdependence exists. The Town is not a component unit of another reporting entity.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). Business-type activities and proprietary funds of governments are also required to follow the Statements and Interpretations of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Town has elected to apply FASB Statements and Interpretations issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established in GAAP and used by the Town are discussed below.

(b) *Basis of Presentation*

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements.

Government-wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the Town. Eliminations have been made to minimize the effect of internal transactions between funds. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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 goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(b) *Basis of Presentation (continued)*

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. GASB No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The General Fund is shown as a major governmental fund. The Sewer and Water Funds are major proprietary funds. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

The following funds are used by the Town:

Governmental Funds

The Town reports on the following major governmental funds:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the major enterprise funds of the Town:

Sewer Fund is used to account for the operations of the Sewer Department.

Water Fund is used to account for the operations of the Water Department.

The fund statements provide information about the Town's funds. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds, however because the Town has only one non-major fund in each fund type, they are reported in individual columns.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(c) Measurement Focus and Basis of Accounting

The Government-wide and proprietary fund financial statements are reported using the 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. Non-exchange 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 fiscal 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. The Town considers all revenues other than property taxes reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year. Property taxes are recognized to the extent collected within sixty days of fiscal year end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

(d) Budgets and Budgetary Accounting

The Town approves a budget for the General Fund at an annual Town Meeting and the Selectboard based on the budget and Grand List determines the tax rate. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). The budgeted amounts are as originally adopted.

(e) Prepaid Expenses

The Town uses the allocation method to account for prepaid expenses. The prepaid expenses are established at the date of payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment.

(f) Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more and infrastructure improvements with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. GASB No. 34 requires the Town to report and depreciate new general infrastructure assets effective with the beginning of fiscal year 2004. The Town is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(f) Capital Assets (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land and improvements	10 - 20 years
Buildings and facilities	10 - 100 years
Vehicles and equipment	5 - 20 years
Water and sewer system	30 - 50 years
Infrastructure	20 - 50 years
Library collection	10 years

(g) Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the Town's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

(h) Investments

Investments, including deferred compensation and pension funds, are stated at fair value, (quoted market price, or the best available estimate).

(i) Long-term Debt and Deferred Charges

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Accumulated unpaid vacation pay is accrued in proprietary funds (using the accrual basis of accounting). The current portion of accumulated unpaid vacation pay is accrued in governmental funds (using the modified accrual basis of accounting).

(j) Governmental Fund Balance/Net Assets

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance is either not in spendable form (such as inventory), or is required to be maintained intact legally or contractually.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(j) *Governmental Fund Balance/Net Assets (continued)*

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Selectboard). To be reported as committed, amounts cannot be used for any other purpose unless the Selectboard takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Selectboard or by an official or body to which the Selectboard Council delegates the authority. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Selectboard establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Selectboard through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, the Town will consider applicable restrictions, time-constraints and conditions specified in grants or otherwise when determining the order of spending from each fund category.

In the government-wide financial statements, net assets are classified in the following categories:

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

Restricted – 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. Restricted resources are used first to fund appropriations when there are both restricted and unrestricted resources available.

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

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(k) Interfund Activities

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements, except for the net amounts due between governmental and business-type activities, which are reported as "Internal Balances".

(l) Use of Accounting Estimates

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

(2) 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 Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the Town's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

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 they are considered "available", whereas the Statement of Activities reports revenues 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.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(2) Explanation of Certain Differences Between Governmental Fund Statements and the Government-wide Statements (continued)

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 Assets.
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.

(3) Deposits and Investments

The Treasurer invests excess cash according to policies established by the Selectboard.

Deposits

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Of the Town's June 30, 2012 bank balance of \$3,040,601, none of it is exposed to custodial credit risk. \$1,312,174 is covered through FDIC insurance, and \$1,728,427 is collateralized but uninsured.

Investment Securities

Investment securities at June 30, 2012 consisted of the following:

Mutual funds	\$ 132,621
Vermont Community Foundation	96,487
Common stock	<u>97,943</u>
	<u>\$ 327,051</u>

Credit Risk - Investments. The Town has an investment policy that limits its investment choices to policies set by the Selectboard.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The \$96,487 held by the Vermont Community Foundation is exposed to custodial credit risk.

The Town is not restricted by state statute as to the type of investments that it is authorized to hold. The Town invested primarily in collateralized and insured certificates of deposit during the fiscal year ended June 30, 2012.

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(4) Loan Receivable – Special Revenue Funds

The loans receivable consist of the following:

Due from Shelburne Housing Ltd. Partnership, 0% interest, due December 31, 2033	\$ 530,000
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The repayment of this loan is required to be placed in a Revolving Loan Fund managed by the Town for support of future activities eligible under Title 1 of the Federal Housing and Community Development Act of 1974, as amended. The loan is offset by deferred revenue in the fund financial statements and recorded as restricted net assets under the government-wide financial statements.

(5) Internal Balances

Internal balances at June 30, 2012 consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 550,988	-
Nonmajor funds:		
Education Fees Impact Fund	30,578	-
Recreation Related Funds	185,760	-
Ambulance Fund	-	133,285
Act 60 Reappraisal Fund	2,078	-
Library Freeman Grant Fund	224	-
Record Preservation Fund	144,382	-
Other Special Revenue Funds	15,635	-
Bay Park Fund	28,846	-
Bike Path Grant Fund	227,531	-
Webster Road Upgrade Fund	-	497,202
Highway Equipment Fund	150,105	-
Highway Salt/Sand Shed Fund	-	36,227
Police Fund	25,783	-
Police HSU Grants Fund	-	99,804
Fire Truck Fund	1,650	-
Recreation Spear St. Shoulder Fund	-	473
Cemetery Fund	70,653	-
Lillian Davis Memorial Fund	-	9,404
Total nonmajor funds	883,225	776,395
Proprietary Funds:		
Sewer	-	747,321
Water	89,503	-
Total proprietary funds	89,503	747,321
Total	\$ 1,523,716	1,523,716

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(5) *Internal Balances (continued)*

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Internal transfers for the year ended June 30, 2012 were as follows:

Transfer From	Transfer To	Amount
General Fund	Nonmajor Funds	\$ (191,325)
Nonmajor Funds	General Fund	297,900
Nonmajor Funds	Nonmajor Funds	(300)
		\$ 106,275

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(6) *Capital Assets*

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,107,971	172,600	-	1,280,571
Construction in progress	399,471	5,226	(397,076)	7,621
Total assets not depreciated	1,507,442	177,826	(397,076)	1,288,192
Capital assets being depreciated:				
Buildings and improvements	9,214,195	71,238	-	9,285,433
Equipment and vehicles	3,955,189	706,518	25,172	4,686,879
Infrastructure	4,832,970	796,707	234,326	5,864,003
Library collection	185,422	84,167	-	269,589
Total assets being depreciated	18,187,776	1,658,630	259,498	20,105,904
Less accumulated depreciation for:				
Buildings and improvements	(4,329,283)	(347,352)	-	(4,676,635)
Equipment and vehicles	(1,988,300)	(331,652)	121,097	(2,198,855)
Infrastructure	(361,893)	(118,439)	-	(480,332)
Library collection	(61,267)	(26,753)	-	(88,020)
Total accumulated depreciation	(6,740,743)	(824,196)	121,097	(7,443,842)
Governmental activities capital assets, net	\$ 12,954,475	1,012,260	(16,481)	13,950,254

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(6) *Capital Assets (continued)*

Depreciation expense was charged to governmental functions as follows:

General government	\$	240,867
Public safety		223,365
Highway		212,112
Health and welfare		1,787
Recreation and parks		95,286
Library		50,779
	\$	824,196

		Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Business-type activities:					
Water Fund:					
Buildings and improvements	\$	4,262,803	183,908	-	4,446,711
Equipment and vehicles		99,261	-	-	99,261
Totals at historical cost		4,362,064	183,908	-	4,545,972
Less accumulated depreciation for:					
Buildings and improvements		(1,350,795)	(91,839)	-	(1,442,634)
Equipment and vehicles		(66,802)	(10,533)	-	(77,335)
Total accumulated depreciation		(1,417,597)	(102,372)	-	(1,519,969)
Water Fund capital assets, net	\$	2,944,467	81,536	-	3,026,003
Sewer Fund:					
Land	\$	11,000	-	-	11,000
Construction in progress		-	-	-	-
Buildings and improvements		18,495,790	-	-	18,495,790
Equipment and vehicles		71,959	34,602	-	106,561
Totals at historical cost		18,578,749	34,602	-	18,613,351
Less accumulated depreciation for:					
Buildings and improvements		(5,534,321)	(389,029)	-	(5,923,350)
Equipment and vehicles		(61,708)	(7,345)	-	(69,053)
Total accumulated depreciation		(5,596,029)	(396,374)	-	(5,992,403)
Sewer Fund capital assets, net	\$	12,982,720	(361,772)	-	12,620,948

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) Long-term Liabilities

Long-term debt at June 30, 2012 was as follows:

<i>Governmental Funds</i>	Total	Due in One Year
Town Center payable to Vermont Municipal Bond Bank, annual principal payments of \$235,000 plus semi-annual interest payments at 3.62% to 5.18%, due December 1, 2021.	\$ 2,350,000	235,000
Capital improvement (bike/pedestrian path, Spear Street) note payable, Vermont Municipal Bond Bank, annual principal payments of \$20,000, interest at 3.964%, matures November 15, 2023.	240,000	20,000
Capital equipment (highway truck) note payable to the Vermont Municipal Equipment Loan Fund, interest at 2.0%, annual principal payments of \$13,728, matures December 31, 2013.	27,238	13,728
Capital equipment (truck) note payable to the Vermont Municipal Equipment Loan Fund, interest at 2.0%, annual principal payments of \$9,429, matures December 31, 2012.	9,429	9,429
Capital equipment (truck) note payable to the Vermont Municipal Equipment Loan Fund, interest at 2.0%, annual principal payments of \$27,238, matures December 31, 2012.	27,456	27,238
Recreation facilities and sand/salt shed payable to Vermont Municipal Bond Bank, annual principal payments of \$135,000 to 575,000, plus semi-annual interest payments at 3% to 4.58%, due December 1, 2025.	1,170,000	105,000
Capital improvement (Fire truck, Beach seawall, Webster Road Path) note payable, Vermont Municipal Bond Bank, annual principal payments of \$15,000 to \$85,000, interest at 1.033% to 3.426%, matures November 15, 2030.	900,000	85,000
Special assessment debt, Beaver Creek Infrastructure, Vermont Municipal Bond Bank, annual principal payments of \$30,000, plus semi-annual interest payments at 1.54% to 5.05%, due November 15, 2030.	570,000	30,000

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) Long-term Liabilities (continued)

<i>Governmental Funds</i>	Total	Due in One Year
Capital equipment (truck) note payable to the Vermont Municipal Equipment Loan Fund, interest at 2.0%, annual principal payments of \$22,000, matures December 31, 2016.	\$ 110,000	22,000
Capital equipment (truck) note payable to People's United Bank, interest at 1.9%, annual principal payment of \$60,000, matures May 24, 2013.	60,000	60,000
Total long-term bonds and notes payable	5,464,123	607,395
Accrued compensated absences	259,438	-
Total governmental funds	\$ 5,723,561	607,395
 <i>Sewer Funds</i>		
Sewer upgrade note payable to State of Vermont revolving loan fund, total available \$7,783,835, non-interest-bearing, annual principal payments of \$384,817.	\$ 4,232,989	384,817
Sewer upgrade note payable to State of Vermont revolving loan fund, total available \$120,000, 2% admin fee, annual payments of \$7,339.	95,271	4,449
Sewer upgrade note payable to State of Vermont revolving loan fund, total available \$1,620,247, non-interest-bearing, annual principal payments of \$85,979.	1,117,721	85,979
Shelburne Heights sewer upgrade note payable to State of Vermont revolving loan fund, total available 5/\$1,030,000 non-interest-bearing, annual principal payments of \$50,522.	557,124	50,522
Sewer bond payable to State of Vermont Revolving Loan Fund, total available \$909,200, annual payments of principal and interest of \$42,715, interest at 2%, matures July 1, 2027.	548,855	31,738
Bond payable - Vermont Municipal Bond Bank, interest of 2.0%, maturing January, 2031, with annual principal and interest payments of \$7,500, after debt forgiveness through ARRA.	277,896	11,437

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) Long-term Liabilities (continued)

<i>Sewer Funds</i>	Total	Due in One Year
Sewer upgrade note payable to State of Vermont revolving loan fund, total available \$224,200, interest at 2.0%, annual principal payments of \$13,301 beginning November, 2010.	\$ 187,975	11,768
Capital equipment (truck) note payable to People's United Bank, interest at 1.9%, annual principal payment of \$29,000, matures May 24, 2013.	29,000	29,000
Capital equipment (generator) note payable to People's United Bank, interest at 1.95%, annual principal payment of \$28,600, matures May 24, 2013.	28,600	28,600
Total sewer funds long-term bond and notes payable	\$ 7,075,431	638,310
 <i>Water Funds</i>		
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$55,000 interest at 3.930%, matures December 1, 2023.	\$ 655,000	55,000
Capital equipment (truck) note payable to People's United Bank, interest at 2.25%, annual principal payments of \$7,800, renewable annually.	15,500	7,750
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of between \$5,000 and \$10,000 plus interest at 3.0% - 4.38%, matures December 1, 2020.	45,000	5,000
Total water fund long-term bond and notes payable	715,500	67,750
Accrued compensated absences	39,934	-
Total proprietary funds	\$ 7,830,865	706,060

Bonds payable mature annually in varying amounts through fiscal year 2027, and interest is generally payable semiannually at rates ranging from 3 percent to 6 percent.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(7) *Long-term Liabilities (continued)*

Maturities of bonds payable are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 607,395	214,524	821,919	706,060	51,901	757,960
2014	510,728	194,662	705,390	649,648	47,261	696,909
2015	497,000	175,784	672,784	643,109	43,630	686,740
2016	497,000	156,386	653,386	644,345	40,044	684,389
2017	462,000	66,339	528,339	645,606	36,350	681,956
2018-2022	2,120,000	193,442	2,313,442	3,242,837	123,523	3,366,360
2023-2027	590,000	94,400	684,400	1,160,893	35,986	1,196,879
2028-2032	180,000	16,084	196,084	98,434	5,608	104,041
	\$ 5,464,123	1,111,621	6,575,744	7,790,931	384,303	8,175,233

All bonds payable are secured by the general revenue raising powers of the Town.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities					
Bonds and notes payable	\$ 5,837,417	170,000	(543,294)	5,464,123	607,395
Accrued absences	247,084	12,354	-	259,438	-
Governmental activities long-term liabilities	\$ 6,084,501	182,354	(543,294)	5,723,561	607,395
Business-type Activities					
Bonds and notes payable	\$ 8,464,463	65,000	(738,532)	7,790,931	706,060
Accrued absences	39,934	-	-	39,934	-
Business-type activities long-term liabilities	\$ 8,504,397	65,000	(738,532)	7,830,865	706,060

(8) *Deferred Revenue*

Deferred revenue in the fund financial statements at June 30, 2012 consisted of the following:

	General Fund	Nonmajor Funds
Delinquent taxes not collected within 60 days of the balance sheet date	\$ 178,056	-
Registrations received in advance	21,531	-
Rental security deposit	7,577	-
Grant revenue	844	-
Community development loans	-	530,000
Total deferred revenue	\$ 208,008	530,000

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(9) Property Taxes

The Town is responsible for assessing and collecting property taxes for both the Town and Town School District. Property taxes are assessed based on valuations as of April 1, annually. Property taxes were due in three equal installments on August 15, November 15, and March 15. All late payments are subject to a 5.0% penalty, and interest is calculated at 1.5% per month. Town property tax revenue is recognized for the period for which the tax is levied to the extent they result in current receivables, which will be collected within 60 days of the fiscal year end.

The tax rate for the year ended June 30, 2012 was as follows:

	Residential	Non-Residential
General Fund	\$ 0.3296	0.3296
School	1.2905	1.3821
Total tax rate	\$ 1.6201	1.7117

(10) Fund Balances

At June 30, 2012, the Town's fund balances were restricted, committed or assigned as follows:

General Fund, Restricted:

Capital projects \$ 19,600

Special Revenue Funds, Restricted:

Community Development Fund	\$ 1,000
Education Impact Fees Fund	30,578
Recreation related funds	235,281
ACT 60 reappraisal grants	98,697
Library - Freeman Fund Grant	224
Other special revenue funds:	
Ireland Stone Gate Fund	2,899
Historical Fund	2,415
Fire Department Operations Fund	843
Vietnam Vet Memorial	1,255
Total special revenue funds, restricted	\$ 373,192

Capital Projects Funds, Restricted:

Bike Path Grant	\$ 227,531
Recreation Path Shoulder Project Fund	29,610
Total capital projects funds, restricted	\$ 257,141

Permanent Funds, Restricted:

Pierson Library Fund	\$ 131,918
Cemetery Fund	203,274
Lillian Davis Memorial Fund	88,539
Total permanent funds, restricted	\$ 423,731

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(10) Fund Balances (continued)

Special Revenue Funds, Committed:

Ambulance Fund	\$ 611,654
Record Preservation Trust Fund	144,382
Open Land Trust Fund	170,044
Other special revenue funds:	
VLCT Health Leader Fund	2,959
Total special revenue funds, committed	<u>\$ 929,039</u>

Capital Projects Funds, Committed:

Bay Park Fund	\$ 28,846
Police Fund	118,547
Total capital projects funds, committed	<u>\$ 147,393</u>

General Fund, Assigned:

Capital projects	\$ 28,000
FY 2013 expenses	149,845
Total general fund, assigned	<u>\$ 177,845</u>

Special Revenue Funds, Assigned:

Cemetery Tractor Fund	<u>\$ 7,770</u>
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Capital Projects Funds, Assigned:

Highway Equipment Fund	\$ 150,105
Highway Salt/Sand Shed Fund	23,010
Total capital projects funds, assigned	<u>\$ 173,115</u>

(11) Pension Plan

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates in Group B and Group C.

Of the Town's total payroll of \$3,272,036, \$1,370,809 was covered under the VMERS defined benefit plan. The total employer contribution to this plan was \$75,498 for fiscal year 2012, \$66,674 for fiscal year 2011, \$61,104 for fiscal year 2010 and \$60,683 for fiscal year 2009.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

(continued)

TOWN OF SHELBURNE, VERMONT

Notes to Financial Statements

(11) Pension Plan (continued)

Defined Contribution Plan

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$3,272,036, \$1,497,781 was covered under the VMERS defined contribution plan. The employer contributions to this plan amounted to \$76,761 for the year ended June 30, 2012.

(12) Risk Management

The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, employee health and accident and environmental liability. The Town purchases commercial insurance coverage for the risks of losses to which it is exposed, exclusive of environmental liabilities which are not covered due to the excessive cost of coverage.

(13) Contingencies

(a) Litigation-General

The Town is party to various legal actions which normally occur in governmental operations. The amounts of any settlements under these actions are expected to be within the limits of the Town's insurance coverage and are not likely to have a material adverse effect on the affected funds of the Town.

(b) 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 the result of such audits is not believed to be material.

(14) Subsequent Events

In January 2013, a Superior Court ruling lowered the assessed value of Wake Robin Corp. by \$10.1 million (before current use land adjustment).

The Town has evaluated subsequent events through February 8, 2013, the date on which the financial statements were available to be issued.

TOWN OF SHELburnE, VERMONT
 Combining Balance Sheet
 All Nonmajor Funds
 June 30, 2012

	Special Revenue Funds									
	Community Development Fund	Education Impact Fees	Recreation Related Funds	Ambulance Fund	ACT 60 Reappraisal Fund	Library Freeman Grant Fund	Open Land Trust Fund	Record Preservation Fund	Other	
Assets:										
Cash	\$ 1,000	-	51,577	699,338	96,619	-	170,044	-	4,509	
Prepaid expenses	-	-	50	-	-	-	-	-	-	
Investments	-	-	-	-	-	-	-	-	-	
Other receivables	-	-	-	45,601	-	-	-	-	-	
Loan receivable	530,000	-	-	-	-	-	-	-	-	
Due from other funds	-	30,578	185,760	-	2,078	224	-	144,382	15,635	
Total assets	531,000	30,578	237,387	744,939	98,697	224	170,044	144,382	20,144	

Liabilities and Fund Balances

Liabilities	
Accounts payable	-
Due to other funds	2,106
Deferred revenue	133,285
Total liabilities	133,285

Fund balances	
Restricted	1,000
Committed	30,578
Assigned	235,281
Unassigned	-
Total fund balances	235,281

Total liabilities and fund balances	531,000	30,578	237,387	744,939	98,697	224	170,044	144,382	20,144
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(continued)

TOWN OF SHELburnE, VERMONT
 Combining Balance Sheet (Continued)
 All Nonmajor Funds
 June 30, 2012

	Capital Project Funds										Permanent Funds			Total All Nonmajor Funds
	Bay Park Fund	Bike Path Grant	Webster Road Upgrade	Highway Equipment Fund	Highway Salt/Shed Fund	Police Fund	Police HSU Fund	Fire Truck Fund	Recreation Shoulder Fund	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund		
Assets:														
Cash	-	-	302,225	-	59,237	26,624	-	-	30,083	35,431	-	-	-	1,476,687
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	50
Investments	-	-	-	-	-	-	-	-	-	96,487	132,621	97,943	-	327,051
Other receivables	-	-	-	-	-	66,190	-	-	-	-	-	-	-	111,791
Loan receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	530,000
Due from other funds	28,846	227,531	-	150,105	-	25,783	-	1,650	-	-	70,653	-	-	883,225
Total assets	28,846	227,531	302,225	150,105	59,237	118,597	-	1,650	30,083	131,918	203,274	97,943	-	3,328,804
Liabilities and Fund Balances														
Liabilities														
Accounts payable	-	-	42,175	-	-	50	-	1,650	-	-	-	-	-	47,984
Due to other funds	-	-	497,202	-	36,227	-	99,804	-	473	-	-	9,404	-	776,395
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	530,000
Total liabilities	-	-	539,377	-	36,227	50	99,804	1,650	473	-	-	9,404	-	1,354,379
Fund balances														
Restricted	-	227,531	-	-	-	-	-	-	29,610	131,918	203,274	88,539	-	1,054,064
Committed	28,846	-	-	-	-	118,547	-	-	-	-	-	-	-	1,076,432
Assigned	-	-	-	150,105	23,010	-	-	-	-	-	-	-	-	180,885
Unassigned	-	-	(237,152)	-	-	-	(99,804)	-	-	-	-	-	-	(336,956)
Total fund balances	28,846	227,531	(237,152)	150,105	23,010	118,547	(99,804)	-	29,610	131,918	203,274	88,539	-	1,974,425
Total liabilities and fund balances	\$ 28,846	227,531	302,225	150,105	59,237	118,597	-	1,650	30,083	131,918	203,274	97,943	-	3,328,804

TOWN OF SHELburnE, VERMONT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
All Nonmajor Funds
Year Ended June 30, 2012

	Special Revenue Funds									
	Community Development Fund	Education Impact Fees	Recreation Related Funds	Ambulance Fund	ACT 60 Reappraisal Fund	Library Freeman Grant Fund	Open Land Trust Fund	Record Preservation Fund	Other	
Revenues:										
Intergovernmental grants	-	54,278	-	-	28,209	-	-	-	-	-
Contributions and grants	-	-	48,592	24,252	-	-	90	-	3,995	-
Fees and licenses	-	-	33,371	194,399	-	-	-	40,996	-	-
Interest on investments	-	18	546	4,999	49	-	486	83	9	-
Other	-	-	-	-	-	-	-	-	-	-
Total revenues	-	54,296	82,509	223,650	28,258	-	576	41,079	4,004	-
Expenditures:										
General government	-	-	-	-	25,030	-	-	-	4,075	-
Land conservation/open land	-	-	-	-	-	-	7,700	-	-	-
Public safety	-	-	-	159	-	-	-	-	1,775	-
Education	-	23,718	-	-	-	-	-	-	-	-
Recreation	-	-	41,064	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-	-
Highway	-	-	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	35,131	-	-	-	-	-	-	-
Total expenditures	-	23,718	76,195	159	25,030	-	7,700	-	5,850	-
Excess (deficiency) of revenues over expenditures	-	30,578	6,314	223,491	3,228	-	(7,124)	41,079	(1,846)	-
Other financing sources (uses):										
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	300	-	-	-	20,000	-	1,600	-
Operating transfers out	-	-	(40,502)	(183,339)	-	-	-	(59,192)	(10,000)	-
Total other financing sources (uses)	-	-	(40,202)	(183,339)	-	-	20,000	(59,192)	(8,400)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	30,578	(33,888)	40,152	3,228	-	12,876	(18,113)	(10,246)	-
Fund balances - July 1, 2011	1,000	-	269,169	571,502	95,469	224	157,168	162,495	28,387	-
Fund balances - June 30, 2012	\$ 1,000	30,578	235,281	611,654	98,697	224	170,044	144,382	18,141	-

(continued)

TOWN OF SHELburnE, VERMONT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
 All Nonmajor Funds
 Year Ended June 30, 2012

	Capital Project Funds										Permanent Funds			Total All Nonmajor Funds
	Bay Park Fund	Bike Path Grant	Webster Road Upgrade	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Police Fund	Police HSU Fund	Fire Truck Fund	Recreation Shoulder Fund	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund		
Revenues:														
Intergovernmental grants	-	-	-	-	-	-	-	-	-	-	-	-	-	82,487
Contributions and grants	-	222,220	-	-	-	2,323	237,820	-	-	21,447	-	-	-	560,739
Fees and licenses	-	-	-	56,044	-	-	-	-	-	-	3,550	-	-	328,360
Interest on investments	87	-	1,161	8	115	51	-	-	53	(371)	(642)	7,085	-	13,737
Other	-	-	-	-	-	10,407	-	-	-	-	-	-	-	32,407
Total revenues	87	222,220	1,161	56,052	115	12,781	237,820	22,000	53	21,076	2,908	7,085	-	1,017,730
Expenditures:														
General government	-	-	-	-	-	-	-	-	-	17,168	1,244	-	-	47,517
Land conservation/open land	-	-	-	-	-	-	-	-	-	-	-	-	-	7,700
Public safety	-	-	-	-	-	611	-	8,245	-	-	-	-	-	10,790
Education	-	-	-	-	-	-	-	-	-	-	-	-	-	23,718
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	41,064
Debt service - interest	-	-	-	68,295	-	-	-	-	-	-	-	-	-	68,295
Debt service - principal	-	-	-	2,648	-	-	-	-	-	-	-	-	-	2,648
Capital outlays	-	-	592,702	189,491	-	32,712	304,886	7,908	-	-	-	-	-	1,162,830
Total expenditures	-	-	592,702	260,434	-	33,323	304,886	16,153	-	17,168	1,244	-	-	1,364,562
Excess (deficiency) of revenues over expenditures	87	222,220	(591,541)	(204,382)	115	(20,542)	(67,066)	5,847	53	3,908	1,664	7,085	-	(346,832)
Other financing sources (uses):														
Loan proceeds	-	-	-	170,000	-	-	-	-	-	-	-	-	-	170,000
Operating transfers in	-	-	-	126,000	-	43,725	-	-	-	-	-	-	-	191,625
Operating transfers out	-	-	-	-	-	-	-	(2,167)	-	-	(3,000)	-	-	(298,200)
Total other financing sources (uses)	-	-	-	296,000	-	43,725	-	(2,167)	-	-	(3,000)	-	-	63,425
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	87	222,220	(591,541)	91,618	115	23,183	(67,066)	3,680	53	3,908	(1,336)	7,085	-	(283,407)
Fund balances - July 1, 2011	28,759	5,311	354,389	58,487	22,895	95,364	(32,738)	(3,680)	29,557	128,010	204,610	81,454	-	2,257,892
Fund balances - June 30, 2012	\$ 28,846	227,531	(237,152)	150,105	23,010	118,547	(99,804)	-	29,610	131,918	203,274	88,539	-	1,974,425

TOWN OF SHELBURNE, VERMONT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Water Fund
Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and transfers:			
Water sales	\$ 798,154	800,945	2,791
Cut-ins	9,000	19,800	10,800
Interest income	8,000	6,172	(1,828)
Tank space rent	31,000	31,000	0
Interest & penalties	13,000	13,304	304
Transfer from Sewer Fund	16,474	16,474	0
Other	8,700	9,566	866
Total revenues and transfers	<u>884,328</u>	<u>897,261</u>	<u>12,933</u>
Expenditures and transfers:			
Accounting and auditing	2,200	2,200	0
Building maintenance	1,000	184	816
Computer services	1,000	235	765
Debt service	145,265	145,284	(19)
Engineering	5,000	7,425	(2,425)
Equipment and large tools	2,000	3,796	(1,796)
Equipment rental and subcontractors	40,000	40,909	(909)
Hydrant replacement	4,000	4,112	(112)
Insurance - dental, disability and life	7,103	4,910	2,193
Insurance - general	10,000	10,000	0
Insurance - health	50,383	33,666	16,717
Legal	1,000	2,835	(1,835)
Materials	3,000	4,852	(1,852)
Meter replacement	10,600	10,162	438
Mileage	500	472	28
Miscellaneous	3,000	2,705	295
Outside labor	800	1,238	(438)
Office supplies	1,500	781	719
Postage	2,300	2,175	125
Pump station	4,000	3,476	524
Radio maintenance	500	0	500
Rent/administration	62,911	62,911	0
Retirement	8,742	8,755	(13)
Salaries - regular	156,351	157,214	(863)
Salaries - overtime	15,666	13,764	1,902
Small tools	1,000	170	830
Social security	13,159	12,655	504
State water quality fee	6,453	6,448	5
Tank maintenance	1,500	0	1,500
Telephones/pagers	3,260	2,743	517
Training	2,000	966	1,034
Uniforms	2,500	1,980	520
Valve Replacement/maintenance	3,000	1,905	1,095
Vehicle gas and oil	8,000	6,809	1,191
Vehicle repair and maintenance	2,000	2,010	(10)
Water purchases	290,635	307,867	(17,232)
Transfer to Capital Improvement Fund	12,000	12,000	0
Total expenditures and transfers	<u>884,328</u>	<u>879,614</u>	<u>4,714</u>
Excess of revenues over expenditures	<u>0</u>	<u>17,647</u>	<u>17,647</u>

This schedule is presented using the basis of accounting used for budgeting purposes which is different than generally accepted accounting principles. The above schedule presents principal payments on long-term debt as an expenditure and does not reflect depreciation expense.

TOWN OF SHELBURNE, VERMONT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Sewer Fund
Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and transfers:			
User fees	\$ 1,527,032	1,619,419	92,387
Interest and penalties	26,000	28,448	2,448
Other	1,400	4,263	2,863
Transfer from Sewer Expansion Fund	140,000	140,000	0
Total revenues and transfers	<u>1,694,432</u>	<u>1,792,130</u>	<u>97,698</u>
Expenditures and transfers:			
Wages - regular	239,170	239,123	47
Wages - overtime	19,882	21,065	(1,183)
Administration	62,911	62,911	0
Health and dental insurance	66,680	55,328	11,352
Social security	19,750	20,120	(370)
Employee retirement	13,233	13,891	(658)
Other employee benefits	19,134	9,905	9,229
Electricity	159,780	163,076	(3,296)
Heating fuel and utilities	41,800	39,965	1,835
Plant maintenance	61,000	85,287	(24,287)
Collection system maintenance	90,000	68,195	21,805
Chemicals	35,600	63,016	(27,416)
Meter reading contract	16,474	16,474	0
Lab testing and equipment	20,500	19,634	866
Property and liability insurance	26,500	25,000	1,500
Truck expense	19,900	20,297	(397)
Training/travel	5,500	2,141	3,359
Sludge disposal	69,000	128,972	(59,972)
Safety equipment	1,200	2,177	(977)
SCADA system maintenance	10,000	1,225	8,775
Debt service	666,918	666,546	372
Office	4,700	5,084	(384)
Professional services	11,800	12,166	(366)
Other	3,000	3,618	(618)
Transfer to Capital Improvement Fund	10,000	10,000	0
Total expenditures	<u>1,694,432</u>	<u>1,755,216</u>	<u>(60,784)</u>
Excess of revenues over expenditures	<u>\$ 0</u>	<u>36,914</u>	<u>36,914</u>

This schedule is presented using the basis of accounting used for budgeting purposes which is different than generally accepted accounting principles. The above schedule presents principal payments on long-term debt as an expenditure and does not reflect depreciation expense. In addition, transactions related to the Sewer expansion project including state construction aid are not consolidated into the totals.



**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Selectboard
Town of Shelburne, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Town of Shelburne, Vermont, as of and for the year ended June 30, 2012, which collectively comprise the Town of Shelburne, Vermont's basic financial statements and have issued our report thereon dated February 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Select Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Love, Cody & Company, CPAs, P.C.

Vt. Reg. #357

115 Elm Street • P.O. Box 319 • Bennington, Vermont 05201-0319
(802) 442-5552 • (800) 894-5511
Facsimile: (802) 442-7314 • e-mail: mail@lovecody.com
www.lovecody.com