

**TOWN OF SHELBURNE, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**TABLE OF CONTENTS**

	<u>Page #</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 9
<b>BASIC FINANCIAL STATEMENTS</b>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	Exhibit A      10
Statement of Activities	Exhibit B      11
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	Exhibit C      12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit D      13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit E      14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	Exhibit F      15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	Exhibit G      16 - 23
Statement of Net Assets – Proprietary Funds	Exhibit H      24
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	Exhibit I      25
Statement of Cash Flows – Proprietary Funds	Exhibit J      26

**TOWN OF SHELBURNE, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**TABLE OF CONTENTS**  
**(Continued)**

	<u>Page #</u>
NOTES TO FINANCIAL STATEMENTS	27 – 42
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet – All Nonmajor Funds	Schedule 1 43 - 44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – All Nonmajor Funds	Schedule 2 45 - 46
Schedule of Income – Budget and Actual – Water Fund (Budget Basis)	Schedule 3 47
Schedule of Income – Budget and Actual – Sewer Fund (Budget Basis)	Schedule 4 48
<b>INTERNAL CONTROL AND COMPLIANCE REPORT</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49 - 50

# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



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## INDEPENDENT AUDITOR'S REPORT

January 27, 2011

Selectboard Members  
Town of Shelburne  
Shelburne, VT 05482

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shelburne, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's 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, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 January 27, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on 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 important for assessing 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 9 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. Schedules 1 through 4 are presented for purposes of additional analysis and are not required parts of the financial statements. Schedules 1 through 4 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 taken as a whole.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

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, 2010. 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 \$984,581, or 13.9%. Net assets of our governmental activities increased by \$868,616, or 9.2%.
- The cost of all of the Town's programs was \$8,868,113 this year, compared with \$8,397,285 last year.
- The General Fund reported an increase in fund balance this year of \$190,220 which was better than the balanced budget.
- The fund balance for the General Fund was \$622,133 as of June 30, 2010, compared with a fund balance of \$431,913 on June 30, 2009. Of the \$622,133 amount, \$30,900 is reserved for projects carried over to Fiscal year 2010-11.
- The Sewer Fund's net assets increased by \$349,393, or 6.5%, to \$5,723,552. The Water Fund's net assets increased by \$635,188, or 37%, to \$2,351,449.

**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.

*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 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:

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

- 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 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 \$1,853,197 from a year ago – increasing from \$16,554,994 to \$18,408,191. 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.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

Table 1 - Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2009
Current and other assets	\$ 3,647,071	\$ 3,845,729	\$ 1,164,194	\$ 1,294,566
Capital assets, net	<u>12,795,343</u>	<u>11,283,916</u>	<u>16,230,508</u>	<u>15,527,704</u>
Total assets	<u>16,442,414</u>	<u>15,129,645</u>	<u>17,394,702</u>	<u>16,822,270</u>
Long term liabilities	5,645,639	5,281,503	9,007,962	9,540,467
Other liabilities	463,585	383,568	311,739	191,383
Total liabilities	<u>6,109,224</u>	<u>5,665,071</u>	<u>9,319,701</u>	<u>9,731,850</u>
Net assets:				
Invested in capital assets, net of debt	7,379,319	6,242,226	7,064,517	6,027,171
Restricted	2,419,891	2,838,874	617,034	824,593
Unrestricted	533,980	383,474	393,450	238,656
Total net assets	<u>\$10,333,190</u>	<u>\$ 9,464,574</u>	<u>\$ 8,075,001</u>	<u>\$ 7,090,420</u>
	Total Primary Government 2010	Total Primary Government 2009		
Current and other assets	\$ 4,811,265	\$ 5,140,295		
Capital assets, net	<u>29,025,851</u>	<u>26,811,620</u>		
Total assets	<u>33,837,116</u>	<u>31,951,915</u>		
Long term liabilities	14,653,601	14,821,970		
Other liabilities	775,324	574,951		
Total liabilities	<u>15,428,925</u>	<u>15,396,921</u>		
Net assets:				
Invested in capital assets, net of debt	14,443,836	12,269,397		
Restricted	3,036,925	3,663,467		
Unrestricted	927,430	622,130		
Total net assets	<u>\$18,408,191</u>	<u>\$16,554,994</u>		

Net assets of the Town's governmental activities increased by \$868,616, or approximately 9.2% (\$10,333,190 compared to \$9,464,574), in fiscal year 2010. The amount invested in capital assets, net of related debt increased by \$1,137,093. Most of this increase was due to capital projects completed in fiscal year 2010 and donated infrastructure as described later in this report. Restricted net assets decreased by \$418,983 and unrestricted net assets increased by \$150,506. 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 \$984,581, approximately 13.9%, (\$8,075,001 compared to \$7,090,420) in fiscal year 2010. The increase was mostly the result of "donated" infrastructure as described later in this report. The Town can only use these net assets to finance the continuing operations of the water and sewer systems.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

Table 2 - Change in Net Assets

	Governmental Activities 2010	Business-type Activities 2010	Total Primary Government 2010	Governmental Activities 2009	Business-type Activities 2009	Total Primary Government 2009
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,242,138	\$ 2,229,434	\$ 3,471,572	\$ 1,078,130	\$ 2,118,890	\$ 3,197,020
Operating grants	561,355	0	561,355	648,799	0	648,799
Capital grants	1,054,858	858,733	1,913,591	290,027	19,029	309,056
General revenues:						
Property taxes	4,659,444	0	4,659,444	4,502,627	0	4,502,627
Investment earnings	44,095	28,894	72,989	6,424	54,265	60,689
Miscellaneous	31,070	11,289	42,359	16,794	18,200	34,994
<b>Total revenues</b>	<b>7,592,960</b>	<b>3,128,350</b>	<b>10,721,310</b>	<b>6,542,801</b>	<b>2,210,384</b>	<b>8,753,185</b>
<b>PROGRAM EXPENSES</b>						
General government	1,700,102	0	1,700,102	1,538,092	0	1,538,092
Public safety	1,887,367	0	1,887,367	1,778,084	0	1,778,084
Highway/Public Works	1,120,193	0	1,120,193	1,062,950	0	1,062,950
Employee benefits	848,507	0	848,507	833,273	0	833,273
Debt service	219,027	0	219,027	229,821	0	229,821
Recreation and parks	352,825	0	352,825	345,277	0	345,277
Library	265,786	0	265,786	298,601	0	298,601
Health and welfare	69,617	0	69,617	70,331	0	70,331
Education	10,920	0	10,920	25,212	0	25,212
Community housing	0	0	0	119,812	0	119,812
Land conservation	250,000	0	250,000	0	0	0
Water	0	782,572	782,572	0	763,546	763,546
Sewer	0	1,361,197	1,361,197	0	1,332,286	1,332,286
<b>Total program expenses</b>	<b>6,724,344</b>	<b>2,143,769</b>	<b>8,868,113</b>	<b>6,301,453</b>	<b>2,095,832</b>	<b>8,397,285</b>
<b>Increase in Net Assets</b>	<b>\$ 868,616</b>	<b>\$ 984,581</b>	<b>\$ 1,853,197</b>	<b>\$ 241,348</b>	<b>\$ 114,552</b>	<b>\$ 355,900</b>

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.

Table 3 - Governmental Activities

	Total Cost of Services 2010	Net Cost/(Revenue) of Services 2010	Total Cost of Services 2009	Net Cost/(Revenue) of Services 2009
General government	\$ 1,700,102	\$ 1,135,291	\$ 1,538,092	\$ 1,078,269
Public safety	1,887,367	1,138,488	1,778,084	1,093,594
Highway department	1,120,193	(136,904)	1,062,950	610,488
Employee benefits	848,507	848,507	833,273	833,273
Recreation and parks	352,825	102,976	345,277	71,749
Library	265,786	254,077	298,601	284,104
All others	549,564	523,558	445,176	313,020
<b>Totals</b>	<b>\$ 6,724,344</b>	<b>\$ 3,865,993</b>	<b>\$ 6,301,453</b>	<b>\$ 4,284,497</b>

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 \$2,512,024, which is below last year's total of \$2,740,787 by \$228,763. Included in this year's total change in fund balance is an increase of \$190,220 in the Town's General Fund and a decrease in the nonmajor funds of \$418,983.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

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 \$622,133. During fiscal year 2010, revenues were greater than expenditures by \$190,220, which was better than the balanced budget. Exhibit G of the financial statements shows the comparison of actual to budget for the General Fund. The most significant variances were:

	Variance <u>Favorable (Unfavorable)</u>
<b>Revenues</b>	
Police Special duty reimbursement & COPS Grant	\$ 158,645
Highways	98,626
Investment income	(23,495)
Property Tax adjustments & abatements	(37,719)
Fire/Rescue Grants	27,813
State current use payment	25,068
Building use/rental income	23,895
<b>Expenditures</b>	
Legal services	(88,257)
Zoning and planning	31,811
Buildings and grounds	27,197
Police Department	(156,448)
Shelburne Rescue	(23,660)
Employee Benefits	22,295
Miscellaneous	(35,830)
Capital	(118,484)

**Revenue Variations:**

Police Department revenues exceeded budget by \$158,645. Most of this variance was from grant-funded enforcement details that were offset by corresponding expenditures. Highway/public works revenues exceeded budget by \$98,626 due to grant-funded storm drain and road paving capital projects. These also were offset by corresponding expenditures. Investment income was less than budget by \$23,495 due to lower interest rates. Decisions on several property tax appeals and abatement requests resulted in refunds of \$37,719. Grant revenues for Fire and Rescue equipment upgrades exceeded budget by \$27,813 and were offset by corresponding expenditures. Increased enrollment in the state current use program resulted in the state payment exceeding budget by \$25,068. Building use and rental income exceeded budget by \$23,895 due to increased use of existing facilities and rent paid by a new tenant that moved into the Pierson Building on Falls Road.

**Expenditure Variations:**

Expenditures for legal services exceeded budget by \$88,257 due to costs associated with property tax appeals from the 2008 reappraisal, litigation and planning/zoning matters. Planning and Zoning office expenditures were less than budget by \$31,811 due to deferral of several grant projects that were not funded. Moderate winter weather conditions, lower utility/energy prices and reduced recreation field maintenance costs resulted a favorable variance of \$27,197 in the buildings/grounds category. Police Department expenditures were greater than budget by \$156,448 as a result of additional enforcement details that were fully offset by grant revenues and hiring an additional officer partially funded by the COPS grant program. Shelburne Rescue expenditures were greater than budget by \$23,660 due to consolidation of all operating expenditures into the general fund department budget. Previously some expenditures were accounted for in a special revenue account. All of Shelburne Rescue's expenses are covered by non-property tax revenues. Employee benefit costs were less than budget by \$22,295 due to lower insurance premium increases, lower merit bonuses and employee profiles (single, family, etc). Misc. expenditures were greater than budget by \$35,830 due to a capital project offset by other revenues. Capital project costs were greater than budget by \$118,484. Most of this variance was caused by timing of stormwater treatment and sidewalk projects funded by grants or bond proceeds.

*Water Fund*

The Water Fund ended with net assets of \$2,351,449 of which \$2,054,780 is net investment in plant and equipment, \$143,691 is unrestricted, and \$152,978 is restricted for various capital projects. Schedule 3 compares actual

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

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 were greater than expenditures by \$4,786 for fiscal year 2010, which was \$14,786 better than the budgeted deficit (i.e. drawdown of unrestricted fund balance) of \$10,000. Water sales revenues were less than budget by \$26,875, continuing the recent downward trend due to economic conditions and lower average use per customer. This negative variance was offset by lower expenses, which were less than budget by \$30,499. Factors contributing to the favorable expense variation included lower outside contractor costs (fewer water breaks), lower purchased water costs (less water purchased), reduced salary & benefit costs and deferral of a capital project.

*Sewer Fund*

The Sewer Fund ended with net assets of \$5,723,552 of which \$5,009,737 is net investment in plant and equipment, \$464,056 is restricted for various capital projects leaving a balance of \$249,759 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 \$67,658 for fiscal year 2010, which was \$67,658 better than budget. Revenues were greater than budget by \$10,400. While user fees were less than budget this was offset by revenue from outside septage haulers and penalty/interest charges on late payments. Expenses were lower than budget by \$57,258 due to positive variances in a number of areas including: electricity and heating fuel costs, operation and maintenance costs and overtime & employee benefits.

**Capital Asset and Debt Administration**

*Capital Assets*

At June 30, 2010, the Town had \$29,025,851 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 \$2,214,231, compared to last year.

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

	Governmental Activities <u>2010</u>	Business-type Activities <u>2010</u>	Totals <u>2010</u>	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	Totals <u>2009</u>
Land	\$ 1,107,971	\$ 11,000	\$ 1,118,971	\$ 1,107,971	\$ 11,000	\$ 1,118,971
Construction in progress	132,550	25,228	157,778	257,511	0	257,511
Buildings and improvements	5,203,965	0	5,203,965	5,444,640	0	5,444,640
Vehicles and equipment	1,674,897	31,755	1,706,652	1,735,574	44,458	1,780,032
Infrastructure	4,557,687	0	4,557,687	2,591,145	0	2,591,145
Water and sewer systems	0	16,162,525	16,162,525	0	15,472,246	15,472,246
Library collection	118,273	0	118,273	147,075	0	147,075
Totals	<u>\$ 12,795,343</u>	<u>\$ 16,230,508</u>	<u>\$ 29,025,851</u>	<u>\$ 11,283,916</u>	<u>\$ 15,527,704</u>	<u>\$ 26,811,620</u>

This year's major additions included:

"Donated" water/sewer/highway infrastructure-Rivercrest development	\$ 1,570,958
Beaver Creek Road and drainage- taken over as Town infrastructure	587,082
Spear Street bike lanes and storm drainage	263,214
Mt. Philo Road sidewalk	169,667
Beach seawall reinforcement	155,006
Highway vehicles	153,304

**UPCOMING CAPITAL PROJECTS**

Capital projects in the Town's FY 2011 budget for Governmental Funds include Clerks office records automation, vehicle replacements in the buildings/grounds, fire and police departments, street light upgrades, police dispatch communications equipment, fire dept. equipment, stormwater system improvements, bike/pedestrian paths, tennis court improvements and recreation fields fencing.

TOWN OF SHELBURNE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

Capital projects planned in FY 2011 within the Business-type (water/sewer) activity group include replacement of a utility truck, waterline upgrades, water tank upgrades, emergency generator replacement, and sewer collection system repairs. More detailed information about the Town's capital assets is presented in Notes 1 and 5 to the financial statements.

*Debt Administration*

At June 30, 2010, the Town had \$14,384,052 in bonds, notes and fines outstanding versus \$14,542,223 on June 30, 2009 – a decrease of \$158,171 – as shown in Table 5.

Table 5 - Changes in Long-Term Debt

	Total	General Bonds, Notes	Proprietary Bonds, Notes
Balance - June 30, 2009	\$ 14,542,223	\$ 5,041,690	\$ 9,500,533
Principal payments	(1,282,453)	(559,578)	(722,875)
Loan proceeds	1,124,282	933,912	190,370
Balance - June 30, 2010	<u>\$ 14,384,052</u>	<u>\$ 5,416,024</u>	<u>\$ 8,968,028</u>

New debt was issued in the General Fund category for two highway dept. trucks (\$128,000 issued), State equipment loans (\$110,000, which were used to partially refund the \$128,000 loan), Beaver Creek road/infrastructure improvements (\$561,003) and beach sea wall improvements (\$134,909). New debt was issued in the Proprietary Fund group for wastewater system improvements (\$190,370).

**Economic Factors and Next Year's Budgets and Rates**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2011 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 4.0% in June 2010, compared to 4.8% in June 2009. These rates remained below the state unemployment rate, which was 6.0% in June 2010 and 7.2% in June 2009. The town grand list contains a mix of residential commercial and industrial properties. The total assessed value of all taxable properties in Shelburne was \$1.423 billion dollars in 2010. Of the total grand list, 76% of the total value is from residential properties, 12% from Commercial properties, 4% from Industrial/Utilities and 8% from farm/land/miscellaneous. 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 97.6% common level of appraisal (determined by the State of Vermont) is still close to 100%. 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 sixty-two building permits were issued in 2010 compared to 148 permits in 2009. The 2010 building permits are estimated to add \$25.8 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 2010-11, 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 \$0.3196 in FY 2010-11 is unchanged from the prior year.

As for the Town's business-type activities, the Selectboard approved a rate increase of 6.1% in the sewer user fee effective July 2010. This increase was mainly due to debt service associated with capital projects and declining sales volumes. The water rate was not changed and remained at \$4.94 per thousand gallons. Both water and sewer budgets continue to experience lower annual sales 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, 2010

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,480,700	\$ 1,215,062	\$ 2,695,762
Investments	267,577	0	267,577
Accounts receivable:			
Property taxes, net	247,215	0	247,215
Water/sewer and other fees	0	627,367	627,367
State of Vermont	163,902	0	163,902
Other	71,237	23,037	94,274
Prepaid expenses	173,495	9,173	182,668
Internal balances	712,945	(712,945)	0
Inventories	0	2,500	2,500
Total current assets	<u>3,117,071</u>	<u>1,164,194</u>	<u>4,281,265</u>
Noncurrent assets:			
Loans receivable	530,000	0	530,000
Capital assets, not depreciated			
Land	1,107,971	11,000	1,118,971
Construction in progress	132,550	25,228	157,778
Capital assets, depreciated			
Buildings and improvements	9,187,009	22,572,184	31,759,193
Vehicles and equipment	3,403,686	162,958	3,566,644
Infrastructure	4,809,651	0	4,809,651
Library collection	169,499	0	169,499
Accumulated depreciation	(6,015,023)	(6,540,862)	(12,555,885)
Total capital assets	<u>12,795,343</u>	<u>16,230,508</u>	<u>29,025,851</u>
Total noncurrent assets	<u>13,325,343</u>	<u>16,230,508</u>	<u>29,555,851</u>
Total assets	<u>16,442,414</u>	<u>17,394,702</u>	<u>33,837,116</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	378,769	109,537	488,306
Construction payable	0	197,963	197,963
Deferred revenue	38,940	4,239	43,179
Accrued interest	30,967	0	30,967
Accrued salaries	14,909	0	14,909
Bonds and notes payable due within one year	478,698	732,263	1,210,961
Total current liabilities	<u>942,283</u>	<u>1,044,002</u>	<u>1,986,285</u>
Noncurrent liabilities:			
Accrued compensated absences	229,615	39,934	269,549
Special assessment debt with government commitment	561,003	0	561,003
Bonds and notes payable due after one year	4,376,323	8,235,765	12,612,088
Total noncurrent liabilities	<u>5,166,941</u>	<u>8,275,699</u>	<u>13,442,640</u>
Total liabilities	<u>6,109,224</u>	<u>9,319,701</u>	<u>15,428,925</u>
<b>NET ASSETS</b>			
Unrestricted	533,980	393,450	927,430
Restricted for:			
Capital projects	73,377	617,034	690,411
Endowments	360,635	0	360,635
Special projects	1,455,879	0	1,455,879
Community development	530,000	0	530,000
Invested in capital assets, net of related debt	7,379,319	7,064,517	14,443,836
Total net assets	<u>\$ 10,333,190</u>	<u>\$ 8,075,001</u>	<u>\$ 18,408,191</u>

See Notes to Financial Statements.

TOWN OF SHELburnE, VERMONT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

EXHIBIT B

Functions/Programs	Net (Expense) Revenue and Change in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Governmental Activities</b>					
General government	\$ 1,700,102	\$ 391,807	\$ 173,004	\$ 0	\$ (1,135,291)
Public safety	1,887,367	597,334	114,942	36,603	(1,138,488)
Highway/Public Works department	1,120,193	12,969	228,873	1,015,255	136,904
Employee benefits	848,507	0	0	0	(848,507)
Debt service	219,027	0	0	0	(219,027)
Recreation and parks	352,825	215,422	34,427	0	(102,976)
Library	265,786	0	8,709	3,000	(254,077)
Health and welfare	69,617	5,750	1,400	0	(62,467)
Education	10,920	18,856	0	0	7,936
Land conservation	250,000	0	0	0	(250,000)
Total governmental activities	6,724,344	1,242,138	561,355	1,054,858	(3,865,993)
<b>Business-type Activities</b>					
Water	782,572	831,719	0	559,250	608,397
Sewer	1,361,197	1,397,715	0	299,483	336,001
Total business-type activities	2,143,769	2,229,434	0	858,733	944,398
Total government	\$ 8,868,113	\$ 3,471,572	\$ 561,355	\$ 1,913,591	(2,921,595)
General Revenues:					
Property taxes				0	4,659,444
Earnings on investments				28,894	72,989
Miscellaneous				11,289	42,359
Total general revenues				40,183	4,774,792
Change in net assets				984,581	1,853,197
Net assets - July 1, 2009				7,090,420	16,554,994
Net assets - June 30, 2010				\$ 8,075,001	\$ 18,408,191

TOWN OF SHELBURNE, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

EXHIBIT C

	Major Fund		
	General Fund	Nonmajor Funds	Totals
<b>ASSETS</b>			
Cash	\$ 440,866	\$ 1,039,834	\$ 1,480,700
Investments	0	267,577	267,577
Due from State of Vermont	163,902	0	163,902
Accounts receivable - other	59,264	11,973	71,237
Delinquent taxes receivable	247,215	0	247,215
Prepaid expenses	173,495	0	173,495
Due from other funds	114,104	814,789	928,893
Loan receivable	0	530,000	530,000
Total assets	\$ 1,198,846	\$ 2,664,173	\$ 3,863,019
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 350,435	\$ 28,334	\$ 378,769
Accrued payroll	14,909	0	14,909
Due to other funds	0	215,948	215,948
Deferred revenue	211,369	530,000	741,369
Total liabilities	576,713	774,282	1,350,995
<b>Fund Balances</b>			
<b>Unreserved, designated</b>			
Permanent funds	0	360,635	360,635
Special revenue funds	0	1,455,879	1,455,879
Capital project funds	0	73,377	73,377
Other	30,900	0	30,900
Unreserved, undesignated	591,233	0	591,233
Total fund balances	622,133	1,889,891	2,512,024
Total liabilities and fund balances	\$ 1,198,846	\$ 2,664,173	\$ 3,863,019

TOWN OF SHELBURNE, VERMONT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,512,024

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$18,810,366, and the accumulated depreciation is \$6,015,023. 12,795,343

Deferred revenues are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. Deferred revenues at year end consist of:

Deferred note revenue	530,000	
Deferred tax revenue	172,429	702,429

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year end consist of:

Bonds and notes payable	5,416,024	
Accrued interest on bonds and notes payable	30,967	
Accrued compensated absences	229,615	(5,676,606)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 10,333,190

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

EXHIBIT E

	General Fund	Nonmajor Funds	Totals
<b>REVENUES</b>			
Property taxes, net of adjustments	\$ 4,582,568	\$ 0	\$ 4,582,568
Penalties and interest	116,408	0	116,408
Intergovernmental	723,822	42,856	766,678
Contributions and grants	2,391	62,932	65,323
Charges for services	141,468	0	141,468
Investment income	10,505	28,533	39,038
Fees and licenses	823,595	275,386	1,098,981
Building rental and lease	143,263	0	143,263
Other	17,829	17,713	35,542
Total revenues	6,561,849	427,420	6,989,269
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	1,548,973	24,769	1,573,742
Public safety	1,707,484	11,295	1,718,779
Highway/Public Works department	926,734	8,614	935,348
Land conservation	0	250,000	250,000
Health and welfare	67,994	0	67,994
Education	0	10,920	10,920
Recreation and parks	247,934	20,081	268,015
Library	180,055	5,683	185,738
Employee benefits	848,507	0	848,507
<b>Debt service</b>			
Interest	213,848	5,179	219,027
Principal	366,450	193,128	559,578
Capital outlays	356,763	1,157,533	1,514,296
Total expenditures	6,464,742	1,687,202	8,151,944
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	97,107	(1,259,782)	(1,162,675)
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	0	933,912	933,912
Operating transfers in	249,216	224,797	474,013
Operating transfers out	(156,103)	(317,910)	(474,013)
Total other financing sources	93,113	840,799	933,912
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	190,220	(418,983)	(228,763)
<b>FUND BALANCES - JULY 1, 2009</b>	431,913	2,308,874	2,740,787
<b>FUND BALANCES - JUNE 30, 2010</b>	\$ 622,133	\$ 1,889,891	\$ 2,512,024

TOWN OF SHELBURNE, VERMONT EXHIBIT F  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT  
 OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2010

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS      \$      (228,763)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds 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 (\$1,514,296) plus asset donations (\$772,146) minus proceeds from sale of assets (\$9,200) and gain on sale of assets (\$1,211) exceeds depreciation expense (\$767,026) in the period. 1,511,427

Some of the capital assets acquired this year were financed with long-term debt. The amount financed is reported in the governmental funds as an other financing source. On the other hand, the loan proceeds are not revenue in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (933,912)

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes decreased by \$39,532. (39,532)

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 559,578

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 used exceeded the amounts earned by \$10,198. 10,198

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is because accrued interest on bonds and notes payable increased by \$10,380. (10,380)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$      868,616

To eliminate the doubling up of internal service charges between the Governmental activities and the Business-type activities on the Statement of Activities the charges for services were decreased by \$120,934, and the general government expenses were decreased by \$120,934.

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

EXHIBIT G

REVENUES	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Taxes</b>			
Property taxes	\$ 4,596,382	\$ 4,620,287	\$ 23,905
Penalties and interest on delinquent taxes	72,000	116,408	44,408
Abatements and adjustments	0	(37,719)	(37,719)
<b>Total taxes</b>	<b>4,668,382</b>	<b>4,698,976</b>	<b>30,594</b>
<b>Administration</b>			
Liquor licenses	2,400	2,570	170
Animal licenses	5,000	4,574	(426)
Fish and game licenses	150	100	(50)
Marriage/Civil Union licenses	400	590	190
Recording fees	35,000	56,824	21,824
Passport fees	4,000	10,915	6,915
Miscellaneous	500	127	(373)
Other fees	11,800	16,753	4,953
<b>Total administration</b>	<b>59,250</b>	<b>92,453</b>	<b>33,203</b>
<b>Police department</b>			
Judicial fees	53,000	63,119	10,119
Special duty reimbursement	44,000	164,646	120,646
COPS police grant	0	27,853	27,853
Dispatch Contracts	125,000	118,218	(6,782)
E911 operation grant	90,000	90,000	0
Other	16,400	23,209	6,809
<b>Total police department</b>	<b>328,400</b>	<b>487,045</b>	<b>158,645</b>
<b>Highways</b>			
Received for state aid/grant	183,493	223,351	39,858
Construction reimbursements	0	2,878	2,878
Grants	154,500	214,521	60,021
Permits	16,100	12,969	(3,131)
Other	1,000	0	(1,000)
<b>Total highways</b>	<b>355,093</b>	<b>453,719</b>	<b>98,626</b>
<b>Planning and Zoning Fees</b>	<b>45,450</b>	<b>60,074</b>	<b>14,624</b>
<b>Cemeteries</b>	<b>1,750</b>	<b>1,400</b>	<b>(350)</b>
<b>Investment income</b>	<b>34,000</b>	<b>10,505</b>	<b>(23,495)</b>
<b>Recreation department</b>			
Sale of beach stickers	8,700	9,200	500
Fees & recreation programs	150,124	155,378	5,254
<b>Total recreation department</b>	<b>158,824</b>	<b>164,578</b>	<b>5,754</b>
<b>Library</b>	<b>0</b>	<b>394</b>	<b>394</b>

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

EXHIBIT G

REVENUES (Continued)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous			
Administration - water and sewer	120,934	120,934	0
Planning and zoning grants	20,300	2,575	(17,725)
First aid/CPR class fees	0	2,225	2,225
Insurance claims	0	2,266	2,266
Fire/Rescue grants	0	27,813	27,813
Other	8,172	53,003	44,831
Payment in lieu of taxes	5,500	5,350	(150)
State current use tax payment	67,000	92,068	25,068
Act 60 Administration	35,000	37,991	2,991
Cellular tower fees	71,700	66,069	(5,631)
Mooring fees	38,775	39,098	323
CSSU Village center lease	64,000	64,000	0
CSSU building maint. allocation	37,500	35,368	(2,132)
Sale of vehicle & equipment	0	5,550	5,550
Other building rentals/use fees	14,500	38,395	23,895
<b>Total miscellaneous</b>	<b>483,381</b>	<b>592,705</b>	<b>109,324</b>
<b>Total revenues</b>	<b>6,134,530</b>	<b>6,561,849</b>	<b>427,319</b>
<b>EXPENDITURES</b>			
Selectboard			
Salaries	6,300	6,300	0
Other	5,600	6,113	(513)
VLCT dues	6,693	6,693	0
Printing/mailing of town reports	4,500	3,070	1,430
<b>Total selectboard</b>	<b>23,093</b>	<b>22,176</b>	<b>917</b>
Town manager office			
Salaries	125,620	125,611	9
Manager	2,300	555	1,745
Vehicle	2,500	2,500	0
Emergency management	1,000	1,030	(30)
<b>Total town manager office</b>	<b>131,420</b>	<b>129,696</b>	<b>1,724</b>
Elections			
Salaries	1,800	998	802
Other	3,700	1,612	2,088
<b>Total elections</b>	<b>5,500</b>	<b>2,610</b>	<b>2,890</b>
Finance and Insurance			
Salaries	167,786	166,913	873
Property and liability insurance	144,000	159,434	(15,434)
Insurance claims	2,500	2,419	81
Auditing	15,000	16,260	(1,260)
<b>Total finance and insurance</b>	<b>329,286</b>	<b>345,026</b>	<b>(15,740)</b>
Legal services	92,300	180,557	(88,257)

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

EXHIBIT G

EXPENDITURES (Continued)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Administration - Municipal Offices</b>			
Office equipment and repair	1,000	358	642
Office supplies	7,000	6,856	144
Copier	7,700	6,965	735
Telephone/data	23,600	16,818	6,782
Technical assistance	22,800	26,687	(3,887)
Training	8,600	7,332	1,268
Computer hardware/software	7,750	4,442	3,308
Postage	17,000	16,731	269
<b>Total administration - municipal offices</b>	<b>95,450</b>	<b>86,189</b>	<b>9,261</b>
<b>Town Clerk/Treasurer</b>			
Salaries	116,865	108,478	8,387
Microfilming	7,500	7,006	494
Other	3,000	4,560	(1,560)
Records automation and restoration	15,000	17,032	(2,032)
Computer hardware/software	3,000	1,879	1,121
Office	6,350	3,343	3,007
<b>Total town clerk/treasurer</b>	<b>151,715</b>	<b>142,298</b>	<b>9,417</b>
<b>Assessor's Office</b>			
Assessor contract and admin asst.	63,920	58,543	5,377
Other	4,680	6,745	(2,065)
<b>Total assessor's office</b>	<b>68,600</b>	<b>65,288</b>	<b>3,312</b>
<b>Zoning and planning</b>			
Salaries	126,979	126,872	107
Office	9,280	6,642	2,638
Planner assistance	7,250	5,510	1,740
Independent technical review	5,000	6,307	(1,307)
Other	2,000	700	1,300
Town planning and special projects	29,833	2,500	27,333
<b>Total zoning and planning</b>	<b>180,342</b>	<b>148,531</b>	<b>31,811</b>
<b>Buildings and Grounds</b>			
Salaries	88,896	82,115	6,781
Village Ctr. operating and maintenance	37,900	37,272	628
Town Hall operating and maintenance	2,500	4,348	(1,848)
Village Ctr./Town Hall heat and utilities	88,370	69,595	18,775
Person building utilities and maintenance	2,000	8,498	(6,498)
Recreation fields maintenance	22,000	12,641	9,359
<b>Total buildings and grounds</b>	<b>241,666</b>	<b>214,469</b>	<b>27,197</b>

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

EXHIBIT G

EXPENDITURES (Continued)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Police department			
Salaries	647,333	682,898	(35,565)
Overtime salaries	94,423	97,463	(3,040)
Special duty details	25,000	145,226	(120,226)
Office	8,200	9,171	(971)
Telephone	8,700	11,745	(3,045)
Radio	10,260	11,558	(1,298)
Travel and conferences	2,500	2,246	254
Photos	3,400	1,914	1,486
Training	7,500	9,901	(2,401)
Gasoline	37,500	33,293	4,207
Tires	3,300	0	3,300
Vehicle maintenance and repairs	9,000	17,309	(8,309)
General equipment	4,500	5,726	(1,226)
Uniform purchases	8,500	9,971	(1,471)
Uniform cleaning	5,000	4,729	271
Improvements	8,700	3,605	5,095
Building maintenance	2,000	6,926	(4,926)
Matching funds	1,800	0	1,800
Computer use	12,200	12,031	169
Computer maintenance	12,700	3,067	9,633
Police/C.U.S.I.	10,700	10,676	24
Other	1,200	3,148	(1,948)
Animal enforcement	4,000	2,261	1,739
Total police department	928,416	1,084,864	(156,448)
Public safety - other			
Dispatch salaries	279,412	274,038	5,374
Overtime salaries	37,010	50,812	(13,802)
Training	2,500	2,239	261
Radio and other equipment	6,100	5,090	1,010
Capital improvements	23,000	800	22,200
Uniforms/cleaning	2,700	732	1,968
Total public safety - other	350,722	333,711	17,011
Fire Department			
Salaries	29,000	26,614	2,386
Office supplies and phones	6,235	5,203	1,032
Building heat and service	9,100	6,459	2,641
Fire prevention - training	5,000	5,451	(451)
Radio maintenance	4,600	6,370	(1,770)
Protective clothing	9,000	4,920	4,080
Gas and oil	3,700	2,918	782
Fire fighting supplies	3,500	3,218	282
Equipment maintenance	10,500	16,465	(5,965)
Building maintenance	3,000	1,181	1,819
Equipment	6,300	7,237	(937)
Improvements	3,500	2,809	691
Other	9,500	8,580	920
Total fire department	102,935	97,425	5,510

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

EXHIBIT G

EXPENDITURES (Continued)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Public works			
Salaries	68,656	68,657	(1)
Stormwater engineering and planning	3,500	2,950	550
Administrative	4,250	4,596	(346)
Stormwater permits	6,870	7,775	(905)
Stormwater maintenance	16,200	9,212	6,988
Other	0	4,460	(4,460)
Total public works	<u>99,476</u>	<u>97,650</u>	<u>1,826</u>
Public works - highways			
Salaries	213,140	208,198	4,942
Overtime salaries	28,286	17,303	10,983
Drainage, maintenance and culverts	41,000	64,312	(23,312)
Interdepartmental assistance	1,500	54	1,446
Construction	0	3,211	(3,211)
Retreatment	315,000	313,327	1,673
Sidewalk/paths engineering	2,500	5,925	(3,425)
Garage heating fuel	11,812	6,270	5,542
Engineering services	5,000	560	4,440
Street signs	2,000	3,733	(1,733)
Winter sand	0	5,558	(5,558)
Winter salt	85,000	71,540	13,460
Garage utilities	9,850	11,238	(1,388)
Uniforms	3,722	2,957	765
Gas and diesel	35,000	21,046	13,954
Equipment repair and maintenance	45,000	51,259	(6,259)
Street and caution lights	30,484	31,887	(1,403)
Garage supplies	5,000	6,021	(1,021)
Line striping and crosswalks	7,500	4,381	3,119
Building maintenance	1,000	0	1,000
Other	0	304	(304)
Total public works - highways	<u>842,794</u>	<u>829,084</u>	<u>13,710</u>
Harbormaster			
Salaries	4,502	4,502	0
Mooring inspections/maintenance	9,149	12,108	(2,959)
Seasonal dock installation/removal	2,500	2,072	428
Maintenance/administration	6,080	7,095	(1,015)
Total harbormaster	<u>22,231</u>	<u>25,777</u>	<u>(3,546)</u>
Health and Social Services			
Health officer salary	849	212	637
Health officer expenditures	450	180	270
Visiting Nurse Association	20,176	20,256	(80)
Social services	17,000	17,000	0
Total health and social services	<u>38,475</u>	<u>37,648</u>	<u>827</u>

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

EXHIBIT G

EXPENDITURES (Continued)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Rescue			
Compensation	100,486	117,489	(17,003)
Medical	13,500	11,906	1,594
Uniforms	1,750	457	1,293
Operating	7,000	13,451	(6,451)
Oxygen	2,750	1,777	973
Training	10,000	5,663	4,337
Office	2,000	2,779	(779)
Office equipment	1,500	330	1,170
Communications	10,000	2,321	7,679
Vehicle	7,000	11,149	(4,149)
Building maintenance and utilities	8,588	9,738	(1,150)
Immunizations	250	0	250
Public education	2,000	54	1,946
Transport billing expense	0	10,827	(10,827)
Membership incentive	1,000	3,543	(2,543)
Total rescue	<u>167,824</u>	<u>191,484</u>	<u>(23,660)</u>
Cemetery department			
Salaries	26,302	24,135	2,167
Supplies and tools	600	1,079	(479)
Committee	300	78	222
Repairs and maintenance	400	304	96
New equipment	300	0	300
Improvements	5,000	704	4,296
Cremation garden	850	769	81
Gas	850	886	(36)
Outside services	2,300	2,391	(91)
Total cemetery department	<u>36,902</u>	<u>30,346</u>	<u>6,556</u>
Recreation department			
Administrative salaries	65,893	65,900	(7)
Administration	4,125	3,864	261
Public information	6,032	5,467	565
Park maintenance	13,035	3,125	9,910
Beach related expenditures	21,242	20,643	599
Adult sports leagues	125	87	38
Other recreation programs/events	125,890	119,904	5,986
Total recreation department	<u>236,342</u>	<u>218,990</u>	<u>17,352</u>
Library			
Salaries	148,336	146,592	1,744
Periodicals	3,265	4,242	(977)
Supplies	3,300	3,738	(438)
Building	3,500	875	2,625
Utilities	14,030	12,629	1,401
Equipment purchase and maintenance	1,600	461	1,139
Public information	1,250	934	316
Administrative	2,400	1,825	575
Computer hardware and software	6,000	5,830	170
Story hour/programs	3,000	2,929	71
Total library	<u>186,681</u>	<u>180,055</u>	<u>6,626</u>

See 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, 2010

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
Intergovernmental			
County tax	67,000	69,845	(2,845)
G.B.I.C.	1,200	1,200	0
Chittenden County Regional Planning	8,640	8,640	0
Chittenden County Transit Authority	80,000	79,902	98
Metropolitan Planning Organization	8,183	8,183	0
<b>Total intergovernmental</b>	<b>165,023</b>	<b>167,770</b>	<b>(2,747)</b>
Employee benefits			
Retirement	115,624	113,348	2,276
Unemployment compensation	12,000	12,332	(332)
Social security	188,447	191,486	(3,039)
Health insurance	441,404	428,152	13,252
Health insurance - admin.	0	4,295	(4,295)
Long-term disability insurance	37,565	27,078	10,487
Dental and life insurance	46,795	48,590	(1,795)
Employee assistance program	700	684	16
Employee events/recognition	1,000	793	207
Merit pay	26,267	21,429	4,838
Immunizations	1,000	320	680
<b>Total employee benefits</b>	<b>870,802</b>	<b>848,507</b>	<b>22,295</b>
Miscellaneous			
Selectboard discretionary	6,000	2,190	3,810
Community events	1,500	1,092	408
Tree conservation	1,000	2,075	(1,075)
Community improvement	0	80	(80)
Other	3,200	42,093	(38,893)
<b>Total miscellaneous</b>	<b>11,700</b>	<b>47,530</b>	<b>(35,830)</b>
Debt management			
Interest	213,849	213,848	1
Village Center project principal	235,000	235,000	0
Salt/sand shed principal	22,776	22,776	0
Davis Park improvements principal	20,000	20,000	0
Police digital recorder	6,450	6,450	0
Recreation fields project principal	82,224	82,224	0
<b>Total debt management</b>	<b>580,299</b>	<b>580,298</b>	<b>1</b>

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2010

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (Continued)</b>			
Capital expenditures			
Hullcreast Stormwater Project	0	82,549	(82,549)
Webster Road Path	0	3,087	(3,087)
Mt. Philo Sidewalk	0	132,816	(132,816)
Harbor Road Sidewalk	0	22,676	(22,676)
Longmeadow Stormwater Project	154,500	15,519	138,981
Library collection	22,735	22,735	0
Fire equipment	0	14,797	(14,797)
Highway projects	52,232	29,398	22,834
Rescue equipment	8,812	33,186	(24,374)
	238,279	356,763	(118,484)
Total capital expenditures			
Total expenditures	6,198,273	6,464,742	(266,469)
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>(63,743)</b>	<b>97,107</b>	<b>160,850</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Records Preservation Fund	17,500	17,032	(468)
Transfer from Cemetery Fund	3,000	3,000	0
Transfer from Baseball Fund	0	10,349	10,349
Transfer from L. Bissonnette Fund	0	489	489
Transfer from SEP Fund	0	630	630
Transfer from Ambulance Fund	176,636	202,586	25,950
Transfer from Special Revenue Funds	14,907	15,130	223
Transfer from VLCT Health Fund	20,000	20,000	0
Transfer from Davis Park Fund	3,610	2,518	(1,092)
Transfer from Bay Park Fund	8,000	0	(8,000)
Transfer from Recreation Impact Fees	20,000	20,000	0
Transfer to Truck Replacement Fund	(5,000)	(5,000)	0
Transfer to H//W Equipment Fund	(1,000)	(1,000)	0
Transfer to Bay Park Fund	(8,585)	(7,296)	1,289
Transfer to Police Cruiser	(43,725)	(43,725)	0
Transfer to Equipment Replacement Fund	(115,000)	(115,000)	0
Transfer to Tractor Fund	(1,600)	(1,600)	0
Transfer to Open Space Fund	(25,000)	(25,000)	0
	63,743	93,113	29,370
Total other financing sources (uses)			
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 0</b>	<b>190,220</b>	<b>\$ 190,220</b>
FUND BALANCE - JULY 1, 2009		431,913	
FUND BALANCE - JUNE 30, 2010		<b>\$ 622,133</b>	

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

EXHIBIT H

	Sewer	Water	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents - restricted	\$ 439,134	\$ 775,928	\$ 1,215,062
User fee receivables:			
Billed user fees	94,764	39,751	134,515
Unbilled user fees	314,280	188,572	502,852
Allowance for doubtful accounts	(10,000)	0	(10,000)
Accounts receivable - other	7,457	15,580	23,037
Inventories	0	2,500	2,500
Prepaid expenses	4,725	4,448	9,173
Total current assets	850,360	1,026,779	1,877,139
Noncurrent assets:			
Capital assets, not depreciated			
Land	11,000	0	11,000
Construction in progress	25,228	0	25,228
Capital assets, depreciated			
Buildings and improvements	18,353,932	4,218,252	22,572,184
Vehicles and equipment	71,959	90,999	162,958
Accumulated depreciation	(5,203,591)	(1,337,271)	(6,540,862)
Total noncurrent assets	13,258,528	2,971,980	16,230,508
 Total assets	 14,108,888	 3,998,759	 18,107,647
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	74,652	34,885	109,537
Construction payable	197,963	0	197,963
Due to other funds	35,651	677,294	712,945
Deferred revenue	0	4,239	4,239
Bonds and notes payable due within one year	620,063	112,200	732,263
Total current liabilities	928,329	828,618	1,756,947
Noncurrent liabilities:			
Bonds and notes payable due after one year	7,430,765	805,000	8,235,765
Compensated absences	26,242	13,692	39,934
Total noncurrent liabilities	7,457,007	818,692	8,275,699
 Total liabilities	 8,385,336	 1,647,310	 10,032,646
<b>NET ASSETS</b>			
Restricted for:			
Sewer capital improvements	53,989	0	53,989
Route 7 sewer project	4,560	0	4,560
Sewer telemetry	16,744	0	16,744
Sewer expansion	388,763	0	388,763
Water projects	0	152,978	152,978
Unrestricted	249,759	143,691	393,450
Invested in capital assets, net of related debt	5,009,737	2,054,780	7,064,517
 Total net assets	 \$ 5,723,552	 \$ 2,351,449	 \$ 8,075,001

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2010

EXHIBIT I

	Sewer	Water	Totals
<b>OPERATING REVENUES:</b>			
Usage fees	\$ 1,367,507	\$ 763,307	\$ 2,130,814
Cut-in fees & tank space rent	0	37,900	37,900
Interest and penalties	30,208	14,790	44,998
Meter reading contract	0	15,722	15,722
Miscellaneous	959	10,330	11,289
Total operating revenues	<u>1,398,674</u>	<u>842,049</u>	<u>2,240,723</u>
<b>OPERATING EXPENSES:</b>			
Personnel services and benefits	342,063	223,460	565,523
Administrative expenses	60,467	60,467	120,934
Water supply/engineering	0	280,449	280,449
Sludge removal	68,925	0	68,925
Facility maintenance and utilities	253,276	69,364	322,640
Electricity	144,141	0	144,141
Meter reading contract	15,722	0	15,722
General insurance	25,100	9,000	34,100
Depreciation	377,822	81,967	459,789
Other	51,262	15,640	66,902
Total operating expenses	<u>1,338,778</u>	<u>740,347</u>	<u>2,079,125</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>59,896</u>	<u>101,702</u>	<u>161,598</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and dividend revenue	12,433	16,461	28,894
Interest expense	(22,419)	(42,225)	(64,644)
Net nonoperating revenues (expenses)	<u>(9,986)</u>	<u>(25,764)</u>	<u>(35,750)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>49,910</u>	<u>75,938</u>	<u>125,848</u>
<b>Capital contributions</b>			
Donated assets	251,352	559,250	810,602
Capacity fees	48,131	0	48,131
Total capital contributions	<u>299,483</u>	<u>559,250</u>	<u>858,733</u>
<b>CHANGE IN NET ASSETS</b>	349,393	635,188	984,581
<b>NET ASSETS - JULY 1, 2009</b>	<u>5,374,159</u>	<u>1,716,261</u>	<u>7,090,420</u>
<b>NET ASSETS - JUNE 30, 2010</b>	<u>\$ 5,723,552</u>	<u>\$2,351,449</u>	<u>\$ 8,075,001</u>

TOWN OF SHELBURNE, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2010

EXHIBIT J

	Sewer	Water	Totals
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,397,145	\$ 842,306	\$ 2,239,451
Other operating cash receipts	(2,053)	4,259	2,206
Cash payments to employees and related benefits	(342,063)	(223,460)	(565,523)
Cash payments to suppliers for goods and services	(602,969)	(438,832)	(1,041,801)
Net cash from operating activities	450,060	184,273	634,333
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Due from (to) other funds	(1,485)	(30,780)	(32,265)
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(351,993)	0	(351,993)
Retirement of short term debt	(90,000)	0	(90,000)
Increase in construction payable	197,963	0	197,963
Proceeds from long term debt	190,370	0	190,370
Interest paid on bonds	(22,419)	(42,225)	(64,644)
Retirement of bonds	(610,675)	(112,200)	(722,875)
Capital contributions	48,131	0	48,131
Net cash to capital and related financing activities	(638,623)	(154,425)	(793,048)
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>			
Transfer from investment account	243,322	343,710	587,032
Interest and dividend income	12,433	16,461	28,894
Net cash from investing activities	255,755	360,171	615,926
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	65,707	359,239	424,946
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2009</b>	373,427	416,689	790,116
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2010</b>	\$ 439,134	\$ 775,928	\$ 1,215,062
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>			
Income (loss) from operations	\$ 59,896	\$ 101,702	\$ 161,598
Adjustments to reconcile income (loss) from operations to net cash flow from (to) operating activities:			
Depreciation	377,822	81,967	459,789
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	(570)	11,078	10,508
Increase in other receivables	(3,012)	(6,071)	(9,083)
Increase in prepaid expenses	(268)	(602)	(870)
Increase/(Decrease) in trade accounts payable	16,192	(3,310)	12,882
Decrease in deposits	0	(491)	(491)
Net cash from operating activities	\$ 450,060	\$ 184,273	\$ 634,333
<b>NONCASH TRANSACTIONS</b>			
Donation of capital assets	\$ 251,352	\$ 559,250	\$ 810,602

See Notes to Financial Statements.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

*Reporting Entity*

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the criteria, the Town has no component units.

*Basic Financial Statements – Government-Wide Statements*

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business-type. The Town's police and fire protection, parks, library and recreation, public works, and general administrative services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants. Program revenue must be directly associated with the governmental function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The net costs (by governmental function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenue, interest income, etc.).

The Town does not allocate indirect costs. An administrative service fee is charged by the General Fund to the Water and Sewer Funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of the General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

*Basic Financial Statements – 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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus*

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

*Basis of Accounting*

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when liabilities are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end for property taxes and six months for other revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

*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).

*Net Assets*

Net assets represent the difference between assets and liabilities in the statement of net assets. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Balances/Retained Earnings*

Equity is classified in the following categories:

Reserved - Indicates the portion of equity that has been legally segregated or encumbered for specific future uses or not available for appropriation.

Unreserved - Indicates the portion of fund equity that is available for appropriation and expenditure in future periods.

*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.

*Investments*

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

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

Land 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

GASB No. 34 requires the Town to report and depreciate new general infrastructure assets effective with the beginning of fiscal year 2004 and is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

*Prepaid Expenses*

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

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accrued Compensated Absences*

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts.

*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”.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – 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, 2010 bank balance of \$3,055,111, none of it is exposed to custodial credit risk.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

*Investment Securities*

Investments securities at June 30, 2010 are as follows:

Investment Type:	
Mutual Funds	\$ 114,178
VT Community Foundation	88,127
Common Stock	65,272
	<u>\$ 267,577</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 \$88,127 held by the Vermont Community Foundation is exposed to custodial credit risk.

**NOTE 3 – LOANS RECEIVABLE**

The loans receivable consist of the following:

Due from Shelburne Housing Ltd. Partnership, 0% interest, due December 31, 2033	<u>\$ 530,000</u>
--	-------------------

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 I 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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

**NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES**

Individual fund interfund receivable and payable balances at June 30, 2010 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 114,104	\$ 0
Nonmajor Funds		
Education impact fees fund	13,115	0
Recreation related fund	76,174	0
Police fund	118,942	0
Ambulance fund	0	112,280
Act 60 reappraisal fund	1,250	0
Library Freeman fund grant	224	0
Planning grants fund	73	0
Open land trust fund	326,704	0
Record preservation fund	48,783	0
Other special revenue funds	53,539	0
Bay Park fund	28,710	0
Beaver Creek upgrade fund	0	24,912
Beach seawall fund	0	20,770
Highway equipment fund	53,675	0
Highway salt/sand shed fund	0	36,227
Escrow funds	27,322	0
Recreation Spear St. shoulder fund	0	473
Recreation field fund	0	15,660
Cemetery fund	66,278	0
Lillian Davis Memorial	0	5,626
	<hr/>	<hr/>
Total Nonmajor Funds	814,789	215,948
Proprietary Funds		
Sewer Fund	0	35,651
Water Fund	0	677,294
	<hr/>	<hr/>
Total Proprietary Funds	0	712,945
	<hr/>	<hr/>
Total	\$ 928,893	\$ 928,893
	<hr/> <hr/>	<hr/> <hr/>

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.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 5 - CAPITAL ASSETS**

*Governmental Activities*

The summary of capital assets as of June 30, 2010 is as follows:

	Balance June 30, 2009	Additions/ Reclasses	Disposals	Depreciation	Balance June 30, 2010
Capital assets not depreciated					
Land	\$ 1,107,971	\$ 0	\$ 0	\$ 0	\$ 1,107,971
Construction in progress	257,511	(124,961)	0	0	132,550
Total capital assets not depreciated	<u>1,365,482</u>	<u>(124,961)</u>	<u>0</u>	<u>0</u>	<u>1,240,521</u>
Capital assets being depreciated					
Buildings and improvements	9,082,398	104,611	0	0	9,187,009
Vehicles and equipment	3,266,058	229,759	(92,131)	0	3,403,686
Infrastructure	2,755,854	2,053,797	0	0	4,809,651
Library collection	532,903	31,236	(394,640)	0	169,499
Total capital assets depreciated	<u>15,637,213</u>	<u>2,419,403</u>	<u>(486,771)</u>	<u>0</u>	<u>17,569,845</u>
Less accumulated depreciation for:					
Buildings and improvements	3,637,758	0	0	345,286	3,983,044
Vehicles and equipment	1,530,484	0	(80,142)	278,447	1,728,789
Infrastructure	164,709	0	0	87,255	251,964
Library collection	385,828	0	(390,640)	56,038	51,226
Accumulated depreciation	<u>5,718,779</u>	<u>0</u>	<u>(470,782)</u>	<u>767,026</u>	<u>6,015,023</u>
Total capital assets, net	<u>\$ 11,283,916</u>	<u>\$ 2,294,442</u>	<u>\$ (15,989)</u>	<u>\$ (767,026)</u>	<u>\$ 12,795,343</u>

*Proprietary Funds*

The following is a summary of the changes in capital assets of the Water and Sewer Funds for the year:

	Balance June 30, 2009	Additions/ Reclasses	Disposals	Depreciation	Balance June 30, 2010
<b>Water Fund</b>					
Buildings and improvements	\$ 3,659,002	\$ 559,250	\$ 0	\$ 0	\$ 4,218,252
Vehicles and equipment	90,999	0	0	0	90,999
Accumulated depreciation - equipment	(70,462)	0	0	(5,868)	(76,330)
Accumulated depreciation - buildings	(1,184,842)	0	0	(76,099)	(1,260,941)
	<u>\$ 2,494,697</u>	<u>\$ 559,250</u>	<u>\$ 0</u>	<u>\$ (81,967)</u>	<u>\$ 2,971,980</u>
<b>Sewer Fund</b>					
Land	\$ 11,000	\$ 0	\$ 0	\$ 0	\$ 11,000
Construction in progress	0	25,228	0	0	25,228
Buildings and improvements	17,775,817	578,115	0	0	18,353,932
Vehicles and equipment	71,959	0	0	0	71,959
Accumulated depreciation - equipment	(48,038)	0	0	(6,835)	(54,873)
Accumulated depreciation - buildings	(4,777,731)	0	0	(370,987)	(5,148,718)
	<u>\$ 13,033,007</u>	<u>\$ 603,343</u>	<u>\$ 0</u>	<u>\$ (377,822)</u>	<u>\$ 13,258,528</u>

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 5 - CAPITAL ASSETS (Continued)**

Depreciation expense in the Governmental Activities was charged to functions as follows:

General government	\$ 247,112
Public safety	168,588
Highway	184,845
Health and welfare	1,623
Recreation and parks	84,810
Library	<u>80,048</u>
Total	<u>\$ 767,026</u>

**NOTE 6 - LONG-TERM DEBT**

Long-term debt at June 30, 2010 consists of the following:

<i>Governmental Funds</i>	<u>Total</u>	<u>Due in one year</u>
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.	\$ 2,820,000	\$ 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.	280,000	20,000
Capital equipment (truck) note payable to the Vermont Municipal Equipment Loan Fund, interest at 2.0%, annual principal payments of \$17,900, matures December 31, 2011.	35,800	17,900
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.	54,912	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.	28,286	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.	81,714	27,238

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 6 - LONG-TERM DEBT (Continued)**

	Total	Due in one year
Recreation facilities and sand/salt shed payable to Vermont Municipal Bond Bank, annual principal payments of \$135,000 to \$75,000, plus semi-annual interest payments at 3% to 4.58%, due December 1, 2025.	1,380,000	105,000
Bond anticipation note line of credit with People's United Bank, refunded with Vermont Municipal Bond Bank, annual principal payments of \$15,000, plus semi-annual interest payments at 1% to 3.4%, due November 1, 2021.	134,909	0
Capital equipment (truck) note payable to Northfield Savings Bank, annual principal payments of \$18,000, plus interest at 1.7%, due July 22, 2010.	18,000	18,000
Capital equipment (bucket loader) note payable to People's United Bank, interest at 2.2%, annual principal payments of \$21,400 renews October, 2010.	21,400	21,400
Special assessment debt, Beaver Creek Infrastructure, bond anticipation note with People's United Bank, refunded with 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.	561,003	11,003
Total long-term bonds and notes payable	5,416,024	478,698
Accrued compensated absences	229,615	0
Total governmental funds	\$ 5,645,639	\$ 478,698
<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.	\$ 5,002,624	\$ 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.	103,910	4,939
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.	1,289,678	85,979
Shelburne Heights sewer upgrade note payable to State of Vermont revolving loan fund, total available \$1,030,000 non-interest-bearing, annual principal payments of \$50,522.	658,168	50,522

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 6 - LONG-TERM DEBT (Continued)**

	Total	Due in one year
Sewer bond payable to the Vermont Municipal Bond Bank, annual principal payments currently at \$45,000 with \$5,000 increase in 2011, interest at 6.927% before refunding, matures December 1, 2011.	100,000	50,000
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.	610,476	30,505
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.	86,461	0
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.	199,511	13,301
Total sewer funds long-term bond and notes payable	8,050,828	620,063
<i>Water Funds</i>		
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of between \$35,000 and \$45,000 plus interest at 6.929% before refunding, matures December 1, 2011.	85,000	40,000
Water bond payable to the Vermont Municipal Bond Bank, annual principal payments of \$55,000 interest at 3.930%, matures December 1, 2023.	765,000	55,000
Capital equipment (truck) note payable to People's United Bank, interest at 2.65%, annual principal payments of \$14,400, renewable October, 2009.	7,200	7,200
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.	60,000	10,000
Total water fund long-term bond and notes payable	917,200	112,200
Accrued compensated absences	39,934	0
Total proprietary funds	\$ 9,007,962	\$ 732,263

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 6 - LONG-TERM DEBT (Continued)**

Long-term debt will mature approximately as follows:

	Governmental Funds			Water and Sewer Fund		
	Principal	Interest	Total	Principal	Interest	Total
June 30, 2011	\$ 478,698	\$ 237,700	\$ 716,398	\$ 732,263	\$ 62,400	\$ 794,663
June 30, 2012	471,000	211,000	682,000	732,300	54,000	786,300
June 30, 2013	453,100	194,000	647,100	638,000	47,300	685,300
June 30, 2014	416,500	176,400	592,900	639,000	44,000	683,000
June 30, 2015	402,800	159,000	561,800	640,000	41,000	681,000
June 30, 2016-2020	1,887,000	537,000	2,424,000	2,982,000	142,000	3,124,000
June 30, 2021-2025	1,090,000	154,200	1,244,200	2,489,000	56,000	2,545,000
June 30, 2026-2030	216,926	29,400	246,326	115,465	7,300	122,765
<b>Total</b>	<b>5,416,024</b>	<b>\$1,698,700</b>	<b>\$7,114,724</b>	<b>8,968,028</b>	<b>\$ 454,000</b>	<b>\$ 9,422,028</b>
Due within one year	(478,698)			(732,263)		
Due after one year	<u>\$4,937,326</u>			<u>\$ 8,235,765</u>		

Total interest paid in the year ended June 30, 2010 was \$219,027 in the Governmental Funds, and \$64,644 in the Proprietary Funds.

Changes in long-term debt were as follows:

	Total	General Bonds, Notes	Proprietary Bonds, Notes	Accrued Absences
Balance - June 30, 2009	\$ 14,821,970	\$ 5,041,690	\$ 9,500,533	\$ 279,747
Increase in accrued absences	31,134	0	0	31,134
Decrease in accrued absences	(41,332)	0	0	(41,332)
Principal payments	(1,282,453)	(559,578)	(722,875)	0
Loan proceeds	1,124,282	933,912	190,370	0
<b>Balance - June 30, 2010</b>	<b>\$ 14,653,601</b>	<b>\$ 5,416,024</b>	<b>\$ 8,968,028</b>	<b>\$ 269,549</b>

**NOTE 7 – SHORT-TERM DEBT**

Short-term debt activity for the year ended June 30, 2010 was as follows:

	General	Proprietary
Balance - June 30, 2009	\$ 0	\$ 90,000
Increases	350,000	0
Decreases	(350,000)	(90,000)
<b>Balance - June 30, 2010</b>	<b>\$ 0</b>	<b>\$ 0</b>

In the General Fund, the short-term debt was used in anticipation of tax revenues received. Total interest paid was \$1,662.

In the Proprietary Funds, the short-term debt was used in anticipation of grants and loans received for the Longmeadow and Bay Road Collection Projects. Total interest paid was \$676.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

**NOTE 8 – DEFERRED REVENUE**

Deferred revenue in the fund financial statements at June 30, 2010 consists of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Proprietary Funds</u>
Amount of delinquent property taxes not collected within 60 days from the balance sheet date	\$ 172,429	\$ 0	\$ 0
Assessments received in advance	0	0	4,239
Registrations received in advance	30,863	0	0
Rental security deposit	8,077	0	0
Community development loans	0	530,000	0
	<u>0</u>	<u>530,000</u>	<u>0</u>
Total deferred revenue	<u>\$ 211,369</u>	<u>\$ 530,000</u>	<u>\$ 4,239</u>

**NOTE 9 - 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 \$2,988,483, \$1,163,974 was covered under the VMERS defined benefit plan. The total employer contribution to this plan was \$61,104 for fiscal year 2010, \$60,683 for fiscal year 2009 and \$56,975 for fiscal year 2008.

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.

*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% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$2,988,483, \$1,404,628 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$71,988 and by the employees were \$70,233.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 10 - 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 an 8.0% 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 fiscal year 2010 was:

	Residential	Non-Residential
General Fund	\$ 0.3203	\$ 0.3203
School	1.2408	1.3515
Total Tax Rate	\$ 1.5611	\$ 1.6718

**NOTE 11 – DESIGNATED FUND BALANCES**

*General Fund*

GIC digital parcel data	\$ 3,000
Paving	27,900
Total General Fund	\$ 30,900

*Special Revenue Funds*

Community Development Fund	\$ 1,000
Education Impact Fees Fund	13,115
Recreation Related Funds	220,183
Police Fund	118,942
Ambulance Fund	470,504
Act 60 reappraisal grants	94,826
Library - Freeman Fund Grant	224
Planning Grants Funds	73
Open Land Trust Fund	326,704
Record Preservation Fund	154,462
Others:	
Cemetery Tractor Fund	10,750
Emergency - 911	516
Fisher Cemetery Fund	1,610
Ireland Stone Gate Fund	2,893
Repar. Justice Grant Fund	10,190
Sardon Garden	458
Town Hall/Chair Fund	608
H. Holland IV Path Fund	11,652
Historical Fund	2,406
VLCT Health Leader Fund	12,450
Fire Department Operations Fund	913
Green Up Grant Fund	148
Vietnam Vet Memorial	1,252
Total Special Revenue Funds	\$ 1,455,879

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

**NOTE 11 – DESIGNATED FUND BALANCES (Continued)**

*Capital Project Funds*

Bay Park Fund	\$	28,710
Beaver Creek Upgrade Fund		(24,912)
Beach Seawall Fund		(20,770)
Highway Equipment Fund		53,675
Highway Salt/Sand Shed Fund		22,777
Recreation Path Shoulder Project Fund		29,557
Recreation Fields Project Fund		(15,660)
Total Capital Project Funds	\$	73,377

*Permanent Funds*

Pierson Library Fund	\$	120,533
Cemetery Fund		180,456
Lillian Davis Memorial Fund		59,646
Total Permanent Funds	\$	360,635

**NOTE 12 - INTERFUND TRANSFERS**

During the year, several interfund transfers occurred between funds. The various operating transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2010 are as follows:

		Transfer from		Totals
		General Fund	Nonmajor Funds	
Transfer to	General Fund	\$ 0	\$ 249,216	\$ 249,216
	Nonmajor Funds	156,103	0	156,103
	Totals	\$ 156,103	\$ 249,216	\$ 405,319

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.

**NOTE 13 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2010, expenditures exceeded appropriations in the General Fund by \$266,469. The excess expenditures were funded by excess revenues.

**NOTE 14 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains insurance coverage from the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund that covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three (3) fiscal years.

TOWN OF SHELBURNE, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010  
(Continued)

**NOTE 15 – CONTINGENCY**

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2010 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 16 – COMMITMENTS AND SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 27, 2011, the date which the financial statements were available for issue.

In July 2010 the Town obtained a \$270,000 tax anticipation note line of credit from People's United Bank expiring October 2010. The interest rate was 2.2%, but the line was not needed.

In July 2010 the Town obtained a \$23,300 capital equipment note from People's United Bank for the purchase of a truck for the Water Department. The interest rate being charged is 2.25%, due in July 2011.

In July 2010 the Town obtained a \$600,000 bond from the Vermont Municipal Bond Bank for the special assessment district of Beaver Creek. The interest rate being charged ranges from 1.49% to 5.05%, due in November 2030, with annual principal payments of \$30,000 plus semi-annual interest payments.

In July 2010 the Town obtained a \$985,000 bond from the Vermont Municipal Bond Bank for the purchase of a fire truck, repairs of the beach seawall, Mt. Philo sidewalk and Webster Road path. The interest rate being charged ranges from 1.033% to 3.426%, due in November 2030, with annual principal payments ranging from \$85,000 to \$15,000, plus semi-annual interest payments.

TOWN OF SHELburnE, VERMONT  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR FUNDS  
 JUNE 30, 2010

SCHEDULE 1

	Special Revenue Funds										
	Community Development Fund	Education Impact Fees Fund	Recreation Related Funds	Police Fund	Ambulance Fund	Act 60 Reappraisal Fund	Library Freeman Fd Grant	Planning Grants	Open Land Trust Fund	Record Preservation Fund	Other
<b>ASSETS</b>											
Cash	\$ 1,000	\$ 0	\$ 144,009	\$ 0	\$ 570,811	\$ 93,576	\$ 0	\$ 0	\$ 0	\$ 105,679	\$ 3,319
Investments	0	0	0	0	0	0	0	0	0	0	0
Other receivables	0	0	0	0	11,973	0	0	0	0	0	0
Loan receivable	530,000	0	0	0	0	0	0	0	0	0	0
Due from other funds	0	13,115	76,174	118,942	0	1,250	224	73	326,704	48,783	53,539
<b>Total assets</b>	<b>\$ 531,000</b>	<b>\$ 13,115</b>	<b>\$ 220,183</b>	<b>\$ 118,942</b>	<b>\$ 582,784</b>	<b>\$ 94,826</b>	<b>\$ 224</b>	<b>\$ 73</b>	<b>\$ 326,704</b>	<b>\$ 154,462</b>	<b>\$ 56,858</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,012
Due to other funds	0	0	0	0	112,280	0	0	0	0	0	0
Deferred revenue	530,000	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities</b>	<b>530,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112,280</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,012</b>
<b>Fund Balances</b>											
Unreserved, designated	1,000	13,115	220,183	118,942	470,504	94,826	224	73	326,704	154,462	55,846
<b>Total liabilities and fund balances</b>	<b>\$ 531,000</b>	<b>\$ 13,115</b>	<b>\$ 220,183</b>	<b>\$ 118,942</b>	<b>\$ 582,784</b>	<b>\$ 94,826</b>	<b>\$ 224</b>	<b>\$ 73</b>	<b>\$ 326,704</b>	<b>\$ 154,462</b>	<b>\$ 56,858</b>

TOWN OF SHELBURNE, VERMONT  
 COMBINING BALANCE SHEET  
 ALL NONMAJOR FUNDS  
 JUNE 30, 2010

SCHEDULE 1

	Capital Project Funds										Permanent Funds			Total all Nonmajor Funds
	Bay Park Fund	Beaver Creek Upgrade	Beach Seawall Fund	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Escrow Funds	Recreation Shoulder Fund	Recreation Field Fund	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund			
<b>ASSETS</b>														
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,004	\$ 0	\$ 30,030	\$ 0	\$ 32,406	\$ 0	\$ 0	\$ 1,039,834		
Investments	0	0	0	0	0	0	0	0	88,127	114,178	65,272	267,577		
Other receivables	0	0	0	0	0	0	0	0	0	0	0	11,973		
Loan receivable	0	0	0	0	0	0	0	0	0	0	0	530,000		
Due from other funds	28,710	0	0	53,675	0	27,322	0	0	0	66,278	0	814,789		
Total assets	\$ 28,710	\$ 0	\$ 0	\$ 53,675	\$ 59,004	\$ 27,322	\$ 30,030	\$ 0	\$ 120,533	\$ 180,456	\$ 65,272	\$ 2,664,173		
<b>LIABILITIES AND FUND BALANCES</b>														
<b>Liabilities</b>														
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,322	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,334		
Due to other funds	0	24,912	20,770	0	36,227	0	473	15,660	0	0	5,626	215,948		
Deferred revenue	0	0	0	0	0	0	0	0	0	0	0	530,000		
Total liabilities	0	24,912	20,770	0	36,227	27,322	473	15,660	0	0	5,626	774,282		
<b>Fund Balances</b>														
Unreserved, designated	28,710	(24,912)	(20,770)	53,675	22,777	0	29,557	(15,660)	120,533	180,456	59,646	1,889,891		
Total liabilities and fund balances	\$ 28,710	\$ 0	\$ 0	\$ 53,675	\$ 59,004	\$ 27,322	\$ 30,030	\$ 0	\$ 120,533	\$ 180,456	\$ 65,272	\$ 2,664,173		

TOWN OF SHELBURNE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR FUNDS  
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds											
	Community Development Fund	Education Impact Fees	Recreation Related Funds	Police Fund	Ambulance Fund	Act 60 Reappraisal Fund	Library Freeman Grant	Planning Grants	Open Land Trust Fund	Record Preservation Fund	Other	
<b>REVENUES</b>												
Intergovernmental grants	0	0	0	4,752	0	27,391	0	0	0	0	10,713	
Contributions and grants	0	0	34,427	0	15,783	0	0	0	0	0	4,407	
Fees and licenses	0	18,856	11,746	0	198,064	0	0	0	0	35,448	0	
Interest on investments	0	52	2,280	935	7,132	702	1	0	6,534	843	270	
Other	0	0	0	9,200	3,359	0	0	0	0	0	0	
Total revenues	0	18,908	48,453	14,887	224,338	28,093	1	0	6,534	36,291	15,390	
<b>EXPENDITURES</b>												
General government	0	0	0	0	0	7,920	0	0	0	0	667	
Land conservation/open land	0	0	0	0	0	0	0	250,000	0	0	0	
Public safety	0	0	0	6,648	373	0	0	0	0	0	4,274	
Education	0	10,920	0	0	0	0	0	0	0	0	0	
Recreation	0	0	20,081	0	0	0	0	0	0	0	0	
Library	0	0	0	0	0	0	0	0	0	0	0	
Highway	0	0	0	0	0	0	0	0	0	0	0	
Debt Service - interest	0	0	0	0	0	0	0	0	0	0	0	
Debt Service - principal	0	0	0	0	0	0	0	0	0	0	0	
Capital outlays	0	0	0	28,044	0	0	0	0	0	0	0	
Total expenditures	0	10,920	20,081	34,692	373	7,920	0	0	250,000	0	4,941	
<b>EXCESS REVENUES (EXPENDITURES)</b>	0	7,988	28,372	(19,805)	223,965	20,173	1	0	(243,466)	36,291	10,449	
<b>OTHER FINANCING SOURCES (USES)</b>												
Loan proceeds	0	0	0	0	0	0	0	0	0	0	0	
Operating transfers in	0	0	26,176	43,725	0	0	0	0	25,000	0	1,600	
Operating transfers out	0	(4,754)	(64,784)	0	(202,586)	(3,119)	0	0	0	(17,032)	(20,118)	
Total other financing sources (uses)	0	(4,754)	(38,608)	43,725	(202,586)	(3,119)	0	0	25,000	(17,032)	(18,518)	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	0	3,234	(10,236)	23,920	21,379	17,054	1	0	(218,466)	19,259	(8,069)	
<b>FUND BALANCES - JULY 1, 2009</b>	1,000	9,881	230,419	95,022	449,125	77,772	223	73	545,170	135,203	63,915	
<b>FUND BALANCES - JUNE 30, 2010</b>	\$ 1,000	\$ 13,115	\$ 220,183	\$ 118,942	\$ 470,504	\$ 94,826	\$ 224	\$ 73	\$ 326,704	\$ 154,462	\$ 55,846	

TOWN OF SHELburnE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ALL NONMAJOR FUNDS  
 YEAR ENDED JUNE 30, 2010

	Capital Projects Funds										Permanent Funds				Total all Nonmajor Funds
	Bay Park Fund	Beaver Creek Upgrade	Beach Scawall Fund	Highway Equipment Fund	Highway Salt/Sand Shed Fund	Escrow Funds	Recreation Shoulder Fund	Recreation Field Fund	Pierson Library Fund	Cemetery Fund	Lillian Davis Memorial Fund				
<b>REVENUES</b>															
Intergovernmental grants	0	0	0	0	0	0	0	0	0	0	0	0	0	\$ 42,856	
Contributions and grants	0	0	0	0	0	0	0	0	8,315	0	0	0	0	62,932	
Fees and licenses	0	0	0	5,322	0	0	0	0	0	5,750	0	0	0	275,386	
Interest on investments	352	1,167	0	957	118	0	999	0	935	3,299	1,957	0	0	28,533	
Other	0	0	0	97	0	0	0	0	11,003	8,834	(14,780)	0	0	17,713	
<b>Total revenues</b>	<b>352</b>	<b>1,167</b>	<b>0</b>	<b>6,576</b>	<b>118</b>	<b>0</b>	<b>999</b>	<b>0</b>	<b>20,253</b>	<b>17,883</b>	<b>(12,823)</b>	<b>0</b>	<b>0</b>	<b>427,420</b>	
<b>EXPENDITURES</b>															
General government	0	0	0	0	0	15,072	0	0	0	1,110	0	0	0	24,769	
Land conservation/open land	0	0	0	0	0	0	0	0	0	0	0	0	0	250,000	
Public safety	0	0	0	0	0	0	0	0	0	0	0	0	0	11,295	
Education	0	0	0	0	0	0	0	0	0	0	0	0	0	10,920	
Recreation	0	0	0	0	0	0	0	0	0	0	0	0	0	20,081	
Library	0	0	0	0	0	0	0	0	5,683	0	0	0	0	5,683	
Highway	0	0	0	114	0	8,500	0	0	0	0	0	0	0	8,614	
Debt Service - interest	0	0	0	5,179	0	0	0	0	0	0	0	0	0	5,179	
Debt Service - principal	0	0	0	193,128	0	0	0	0	0	0	0	0	0	193,128	
Capital outlays	0	587,082	151,725	145,304	0	190,695	49,182	49,182	5,501	0	0	0	0	1,157,533	
<b>Total expenditures</b>	<b>0</b>	<b>587,082</b>	<b>151,725</b>	<b>343,725</b>	<b>0</b>	<b>23,572</b>	<b>190,695</b>	<b>49,182</b>	<b>11,184</b>	<b>1,110</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,687,202</b>	
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>352</b>	<b>(585,915)</b>	<b>(151,725)</b>	<b>(337,149)</b>	<b>118</b>	<b>(23,572)</b>	<b>(189,696)</b>	<b>(49,182)</b>	<b>9,069</b>	<b>16,773</b>	<b>(12,823)</b>	<b>0</b>	<b>0</b>	<b>(1,259,782)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>															
Loan proceeds	0	561,003	134,909	238,000	0	0	0	0	0	0	0	0	0	933,912	
Operating transfers in	7,296	0	0	121,000	0	0	0	0	0	0	0	0	0	224,797	
Operating transfers out	0	0	0	0	0	0	0	0	0	(3,000)	(2,517)	0	0	(317,910)	
<b>Total other financing sources (uses)</b>	<b>7,296</b>	<b>561,003</b>	<b>134,909</b>	<b>359,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,000)</b>	<b>(2,517)</b>	<b>0</b>	<b>0</b>	<b>840,799</b>	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>7,648</b>	<b>(24,912)</b>	<b>(16,816)</b>	<b>21,851</b>	<b>118</b>	<b>(23,572)</b>	<b>(189,696)</b>	<b>(49,182)</b>	<b>9,069</b>	<b>13,773</b>	<b>(15,340)</b>	<b>0</b>	<b>0</b>	<b>(418,983)</b>	
<b>FUND BALANCES - JULY 1, 2009</b>	<b>21,062</b>	<b>0</b>	<b>(3,954)</b>	<b>31,824</b>	<b>22,659</b>	<b>23,572</b>	<b>219,253</b>	<b>33,522</b>	<b>111,464</b>	<b>166,683</b>	<b>74,986</b>	<b>0</b>	<b>0</b>	<b>2,308,874</b>	
<b>FUND BALANCES - JUNE 30, 2010</b>	<b>\$ 28,710</b>	<b>\$ (24,912)</b>	<b>\$ (20,770)</b>	<b>\$ 53,675</b>	<b>\$ 22,777</b>	<b>\$ 0</b>	<b>\$ 29,557</b>	<b>\$ (15,660)</b>	<b>\$ 120,533</b>	<b>\$ 180,456</b>	<b>\$ 59,646</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,889,891</b>	

TOWN OF SHELBURNE, VERMONT  
 SCHEDULE OF INCOME  
 BUDGET AND ACTUAL - WATER FUND (BUDGET BASIS)  
 YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)
<b>REVENUES AND TRANSFERS</b>			
Water sales	\$ 790,182	\$ 763,307	\$ (26,875)
Cut-ins	9,000	15,600	6,600
Interest income	13,000	15,542	2,542
Tank space rent	22,300	22,300	0
Interest & penalties	15,000	14,790	(210)
Transfer from Sewer Fund	15,722	15,722	0
Other	8,100	10,330	2,230
<b>Total revenues and transfers</b>	<b>873,304</b>	<b>857,591</b>	<b>(15,713)</b>
<b>EXPENDITURES AND TRANSFERS</b>			
Accounting/auditing	2,000	2,000	0
Building upkeep	1,000	863	137
Computer services	1,000	927	73
Debt service	154,412	154,425	(13)
Engineering	4,000	7,677	(3,677)
Equipment and large tools	2,000	270	1,730
Equipment rental and subcontractors	30,000	21,322	8,678
Hydrant replacement	4,000	6,869	(2,869)
Insurance - dental, disability and life	6,832	6,843	(11)
Insurance - general	9,000	9,000	0
Insurance - health	43,210	36,388	6,822
Legal	1,000	1,000	0
Materials	3,000	3,701	(701)
Meter replacement	6,500	8,780	(2,280)
Mileage	800	852	(52)
Miscellaneous	3,000	2,514	486
Outside labor	800	127	673
Office supplies	1,500	1,535	(35)
Postage	2,000	1,963	37
Pump station	4,000	6,146	(2,146)
Radio maintenance	500	0	500
Rent/administration	60,467	60,467	0
Retirement	8,390	8,307	83
Salaries - regular	150,090	147,575	2,515
Salaries - overtime	14,976	12,325	2,651
Small tools	800	617	183
Social security	12,628	12,022	606
State water quality fee	6,577	6,120	457
Tank maintenance	3,000	0	3,000
Telephones/pagers	3,300	2,836	464
Training	2,500	809	1,691
Uniforms	2,400	2,056	344
Valve replacement	3,000	4,374	(1,374)
Vehicle gas and oil	6,100	5,898	202
Vehicle repair and maintenance	2,000	3,425	(1,425)
Water purchases	276,522	272,772	3,750
Inserta valves	10,000	0	10,000
Transfer to Capital Improvement Fund	40,000	40,000	0
<b>Total expenditures and transfers</b>	<b>883,304</b>	<b>852,805</b>	<b>30,499</b>
<b>EXCESS REVENUES</b>	<b>\$ (10,000)</b>	<b>\$ 4,786</b>	<b>\$ 14,786</b>

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 Water capital projects including state construction aid are not consolidated into the totals.

TOWN OF SHELBURNE, VERMONT  
SCHEDULE OF INCOME  
BUDGET AND ACTUAL - SEWER FUND (BUDGET BASIS)  
YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual (Budget Basis)	Variance Favorable (Unfavorable)
<b>REVENUES AND TRANSFERS</b>			
User fees	\$ 1,362,774	\$ 1,367,507	\$ 4,733
Interest and penalties	25,000	30,208	5,208
Other	500	959	459
Transfer from Telemetry Fund	10,000	10,000	0
Transfer from Sewer Expansion Fund	320,000	320,000	0
Total revenues and transfers	<u>1,718,274</u>	<u>1,728,674</u>	<u>10,400</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Wages - regular	229,570	225,488	4,082
Wages - overtime	25,539	15,249	10,290
Administration	60,467	60,467	0
Health and dental insurance	61,431	58,586	2,845
Social security	19,467	18,665	802
Employee retirement	13,181	12,771	410
Other employee benefits	17,032	11,304	5,728
Electricity	157,400	144,141	13,259
Heating fuel and utilities	43,580	37,562	6,018
Plant maintenance	108,000	118,914	(10,914)
Collection system maintenance	90,500	89,107	1,393
Chemicals	39,800	37,907	1,893
Meter reading contract	15,722	15,722	0
Lab testing and equipment	24,600	24,413	187
Property and liability insurance	25,600	25,100	500
Truck expense	19,000	15,415	3,585
Training/travel	5,760	3,519	2,241
Sludge disposal	62,500	68,925	(6,425)
Safety equipment	3,500	4,141	(641)
SCADA system maintenance	25,000	7,741	17,259
Debt service	646,025	637,692	8,333
Office	4,100	12,406	(8,306)
Professional services	17,500	12,354	5,146
Other	3,000	3,427	(427)
Total expenditures and transfers	<u>1,718,274</u>	<u>1,661,016</u>	<u>57,258</u>
<b>EXCESS REVENUES AND TRANSFERS</b>	<u>\$ 0</u>	<u>\$ 67,658</u>	<u>\$ 67,658</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.

# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
Jane M. Burroughs, CPA  
Donald J. Murray, CPA

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

January 27, 2011

Selectboard Members  
Town of Shelburne  
Shelburne, VT 05482

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Shelburne, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 27, 2011. 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 the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 the Town'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*.

We noted certain other matters that we reported to management of the Town in a separate letter dated January 27, 2011.

This report is intended solely for the information and use of management, Selectboard members, others within the entity, 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.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*  
FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110