

TOWN OF HINESBURG, VERMONT

FEDERAL COMPLIANCE

JUNE 30, 2012

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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*

March 27, 2013

Town Selectboard
Town of Hinesburg, Vermont

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 Hinesburg, Vermont as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town, is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding 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, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (#2012-1).

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 matters that we reported to management of the Town in a separate letter dated March 27, 2013.

The Town's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Selectboard, 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,

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 27, 2013

Town Selectboard
Town of Hinesburg, Vermont

Compliance

We have audited the Town of Hinesburg, Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2012. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 as of and for the year ended June 30, 2012, and have issued our report thereon dated March 27, 2013 which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, legislative or regulatory body, 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,

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TOWN OF HINESBURG, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through the State of Vermont				
VT Clean Water State Revolving Loan Fund	66.458	RF1-145		\$ 131,450
VT Clean Water State Revolving Loan Fund - ARRA	66.458	AR1-010	\$ 1,591,676	<u>1,163</u>
Total U.S. Environmental Protection Agency				<u>132,613</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the State of Vermont				
FHWA Funds	20.205	VT11-1/ER0015	47,949	47,949
Bike STP Grant (22)S	20.205	08126-CA0057	930,714	<u>146,468</u>
Total U.S. Department of Transportation				<u>194,417</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the State of Vermont				
Governors Highway Safety Program	97.067	02140-0911-3524	2,068	2,068
Governors Highway Safety Program	97.067	02140-0912-3519	2,547	<u>2,547</u>
Total U.S. Department of Homeland Security				<u>4,615</u>
U.S. DEPARTMENT OF JUSTICE				
ARRA Cops Grant	16.710	200-+RKWX0859	65,170	<u>65,170</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through the State of Vermont				
Community Development Block Grants	14.228	07110-IG-2010-Hinesburg-00039	530,000	365,700
Community Development Block Grants	14.228	07110-IG-2010-Hinesburg-00039	20,000	<u>6,077</u>
Total U.S. Department of Housing and Urban Development				<u>371,777</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 768,592</u>

TOWN OF HINESBURG, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2012

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Hinesburg, Vermont.

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the schedule. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred, if measurable.

TOWN OF HINESBURG, VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Hinesburg.
2. One material weakness in internal control disclosed during the audit of the financial statements is reported in Part B of this Schedule.
3. No instances of noncompliance material to the basic financial statements of the Town, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for the Town expresses an unqualified opinion.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
6. The program tested as major program was:

Community Development Block Grants, CFDA #14.228
ARRA Cops Grant, CFDA #16.710
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Town of Hinesburg was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2012-1 Unrecorded Accounts Payable

During the course of the audit, we noted that a large payable relating to a state-managed project had not been booked until we brought it to management's attention. We recommend that at the end of the year, all budget to actual comparisons be examined and large variances be investigated.

Management response:

We will pay closer attention to when we value and record new capital assets. The Town appreciates the auditor's recommendation and illumination of this matter.

TOWN OF HINESBURG, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

(Continued)

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS

None