TOWN OF HINESBURG, VERMONT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2012

TABLE OF CONTENTS

		Page #
INDEPENDENT AUDITOR'S REPORT		1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 10
BASIC FINANCIAL STATEMENTS		
GOVERNMENT-WIDE FINANCIAL STATEMENTS		
Statement of Net Assets	Exhibit A	11
Statement of Activities	Exhibit B	12
FUND FINANCIAL STATEMENTS		
Balance Sheet – Governmental Funds	Exhibit C	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit D	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit E	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	Exhibit F	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	Exhibit G	17
Statement of Net Assets – Proprietary Fund	Exhibit H	18
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	Exhibit I	19

DRAFT

TOWN OF HINESBURG, VERMONT

AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2012

TABLE OF CONTENTS
(Continued)

		Page #
Statement of Cash Flows – Proprietary Fund	Exhibit J	20
Statement of Fiduciary Net Assets – Fiduciary Funds	Exhibit K	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	Exhibit L	22
NOTES TO FINANCIAL STATEMENTS		23 – 37
SUPPLEMENTARY INFORMATION		
Combining Balance Sheet – All non major funds	Schedule 1	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – All non major funds	Schedule 2	39

DRAFT

INDEPENDENT AUDITOR'S REPORT

*Date

To the Selectboard Members
Town of Hinesburg, Vermont
Hinesburg, Vermont 05461

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 Hinesburg as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective 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 *DATE, 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 should be considered in assessing the results of our audit.

DRAFT

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required part of the financial statements. Such information is 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 combining and individual nonmajor fund financial statements is fairly stated in all material respects in relation to the financial statements as a whole.

DRAFT

Respectfully submitted,

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

Our discussion and analysis of the Town of Hinesburg, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements which begin with Exhibit A.

Financial Highlights

- The Town's net assets increased as a result of this year's operations. Net assets of our business-type activities increased by $936,099, or approximately 54 percent and net assets of our governmental activities increased by $1,888,292, or nearly 31 percent.

- In the Town's business-type activities, revenue increased to $1,552,937 (or 277%) while expenses decreased to $618,838 (or 5%). The increase in revenue was mostly due to loan forgiveness and the donation of capital assets.

- The cost of all of the Town's programs was $3,393,152 this year, with no new programs added.

- The General Fund reported an increase in fund balance this year of $64,738 which was $64,738 better than budget.

- The unassigned fund balance for the General Fund was $476,763 as of June 30, 2012. This amount represents the amount of resources available for future budgets. Assigned fund balances of the General Fund total $278,291 as of June 30, 2012. These amounts are set aside for expenditures in subsequent years. Nonspendable fund balances total $50,895. This amount represents prepaid expenses for the subsequent year. Restricted fund balances are $140,003. These amounts are restricted to a specific use.

DRAFT

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off 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 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, to assess the overall health of the Town.

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

- Governmental activities – Most of the Town's basic services are reported here, including the police, fire, buildings and facilities departments, and general administration. Property taxes, franchise 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 wastewater systems are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements begin on page 13 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 Selectboard 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 (like grants received from the U.S. Department of Housing and Urban Development). The Town uses three categories of funds – governmental, proprietary, and fiduciary.

- 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 an accounting method called modified accrual accounting, 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 within the financial statements.

- Proprietary funds – When the Town charges customers for the services it provides – whether to outside customers or to other units 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. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

- Fiduciary Funds - The Town is the trustee, or fiduciary, for various activities (Private purpose trusts and agency funds). It is responsible for these assets because of a trust arrangement and the assets can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in a Statement of Fiduciary Net Assets on Exhibit K and a Statement of Changes in Fiduciary Net Assets on Exhibit L. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

DRAFT

The Town as a Whole

The Town's combined net assets increased by $3,089,391 from a year ago – increasing from $7,880,959 to $10,970,350. 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 compared to fiscal year 2011.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	2,347,706	$1,203,348	550,042	$441,838	$2,897,748	$1,645,186
Capital assets	7,165,019	5,655,123	3,989,205	3,986,807	11,154,224	9,641,930
Total assets	9,512,725	6,858,471	4,539,247	4,428,645	14,051,972	11,287,116
Long term liabilities	1,048,104	418,084	1,861,978	1,821,573	2,910,082	2,239,657
Other liabilities	421,169	285,227	15,371	881,273	436,540	1,166,500
Total liabilities	1,469,273	703,311	1,877,349	2,702,846	3,346,622	3,406,157
Net assets:						
Invested in capital assets, net of debt	6,653,678	5,182,158	2,132,620	1,296,447	8,786,298	6,478,605
Restricted	524,992	217,995	0	0	524,992	217,995
Unrestricted	864,782	755,007	529,278	429,352	1,394,060	1,184,359
Total net assets	8,043,452	6,155,160	2,661,898	1,725,799	10,705,350	7,880,959

DRAFT

Net assets of the Town's governmental activities increased by approximately 31% ($8,043,452 compared to $6,155,160). Most of this increase was due to the donation of capital assets (Silver Street Bridge and other infrastructures) which do not show as expenses in the statement of activities, and the receipt of a grant to fund a Note Receivable for $530,000, half of which is due back to VCDP upon repayment.

The net assets of our business-type activities increased by approximately 54% ($2,661,898 compared to $1,725,799). Most of this increase was due to the forgiveness of 50% of the ANR loan and the donation of infrastructure assets.

Table 2
Change in Net Assets

Our analysis below separately considers the operations of governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	$ 231,922	$ 258,042	$ 604,551	$ 532,776	$ 836,473	$ 790,818
Operating grants and contributions	362,758	339,644	0	0	362,758	339,644
Capital grants and contributions	1,686,971	57,138	895,605	0	2,582,576	57,138
General revenues:						
Property taxes, penalties and interest	2,403,339	2,222,870	0	0	2,403,339	2,222,870
Investment income	7,578	12,845	5,790	8,427	13,368	21,272
Gain(loss) on disposal of assets	(48,605)	0	0	0	(48,605)	0
Donations	500	34,954	0	0	500	34,954
Other general revenues	20,143	14,604	46,991	19,557	67,134	34,161
Total revenues	4,664,606	2,940,097	1,552,937	560,760	6,217,543	3,500,857
PROGRAM EXPENSES						
General government	961,096	875,945	0	0	961,096	875,945
Public safety	719,417	688,950	0	0	719,417	688,950
Highways and streets	700,059	691,484	0	0	700,059	691,484
Agency requests	223,170	215,300	0	0	223,170	215,300
Culture and recreation	99,556	96,126	0	0	99,556	96,126
Debt service	19,253	20,902	0	0	19,253	20,902
Health and cemetery	33,557	34,280	0	0	33,557	34,280
County tax	20,206	22,699	0	0	20,206	22,699
Water	0	0	151,776	134,554	151,776	134,554
Wastewater	0	0	60,008	125,838	60,008	125,838
Shared expenses	0	0	405,054	392,841	405,054	392,841
Total program expenses	2,776,314	2,645,686	616,838	653,233	3,393,152	3,298,919
Increase in net assets	$ 1,888,292	$ 294,411	$ 936,099	$ (92,473)	$ 2,824,391	$ 201,938

DRAFT

The biggest changes from year to year primarily relate to the donation of the infrastructure assets, both in the governmental and in the business-type activities. The general government expenses increased due to the use of Vermont Community Development Program grant funds.

Governmental Activities

Table 3 presents the cost of each of the Town's five largest programs – general government, public safety, highways and streets, agency requests and culture and recreation – as well as each program's net cost (total cost less program revenue). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General government	$ 961,096	$ 388,949	$ 875,945	$ 568,496
Public safety	719,417	(641,901)	688,950	537,659
Highways and streets	700,059	515,019	691,484	552,538
Agency requests	223,170	223,170	215,300	215,300
Culture and recreation	99,556	(63,590)	96,126	38,988
All others	73,016	73,016	77,881	77,881
Totals	$ 2,776,314	$ 494,663	$ 2,645,686	$ 1,990,862

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of $1,065,941.

General Fund Budgetary Highlights

Exhibit G compares actual results for fiscal year 2012 to the approved budget for the General Fund. Revenues were greater than expenditures by $64,738, which was better than the balanced budget.

DRAFT

The most significant variances were as follows:

	Variance Favorable (Unfavorable)
REVENUES:	
Property taxes	$ (140,825)
Intergovernmental	246,793
Charge for services	21,996
Licenses and permits	(12,194)
EXPENDITURES:	
General government	$ (189,433)
Highway and streets	230,757
Capital outlays - public safety	(80,700)
Capital outlays - highways and streets	(147,321)
Capital outlays - culture and recreation	(227,435)
OTHER	
Debt proceeds - note payable	239,180
Debt proceeds - capital lease	109,840

Significant budget variances are explained below:

Revenues:

DRAFT

Expenditures:

Water and Wastewater Highlights

Exhibit I shows actual results for the Water and Wastewater Fund for fiscal year 2012. Revenues were greater than expenses by $936,099. Included in the expenses for the year is depreciation expense of $146,482. The cash in the Water and Wastewater Fund increased by $59,146 as reflected on Exhibit J of the financial statements.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the Town had $11,154,225 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater line net of accumulated depreciation. (See Table 4 below) This amount represents a net increase (including additions less depreciation) of $1,512,295 compared to June 30, 2011.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	$ 2,227,957	$ 2,227,957	$ 341,619	$ 341,619	$ 2,569,576	$ 2,569,576
Construction in progress	572,659	361,577	0	0	572,659	361,577
Land improvements	352,514	332,584	0	0	352,514	332,584
Buildings	475,250	504,499	439,322	453,071	914,572	957,570
Equipment and vehicles	874,657	959,632	248,057	275,512	1,122,714	1,235,144
Improvements	0	0	2,960,207	2,916,605	2,960,207	2,916,605
Infrastructure	2,661,983	1,268,874	0	0	2,661,983	1,268,874
Totals	$ 7,165,020	$ 5,655,123	$ 3,989,205	$ 3,986,807	$ 11,154,225	$ 9,641,930

This year's major additions included:

	Governmental Activities	Business-type Activities	Totals
Pond Road	$ 149,151	$ 0	$ 149,151
Highway - roller for grader	6,029	0	6,029
Town Hall phone system	6,460	0	6,460
Sidewalk - Lyman Meadow Road	24,335	0	24,335
Recreation fields - Town Hall	25,775	0	25,775
LaPlatte Headwater parking lot	7,104	0	7,104
Bissonette recreation fields	13,731	0	13,731
Highway - Shelburne Falls culvert	47,949	0	47,949
Sanding controls for trucks	11,000	0	11,000
Bike path	180,825	0	180,825
Thistle Hill - roads, sidwalks, stormwater (donated)	330,117	0	330,117
Fire truck - F350	80,700	0	80,700
Rotary mower	29,140	0	29,140
Converstion from Construction in progress	31,423	0	31,423
Silver Street Bridge (donated)	1,032,168	0	1,032,168
Town well #3	0	21,670	21,670
Thistle Hill - water and sewer (donated)	0	118,997	118,997
Meter reader	0	8,213	8,213
	$ 1,975,907	$ 148,880	$ 2,124,787

More detailed information about the Town's capital assets is presented in Note 3 to the financial statements.

DRAFT

Debt

At June 30, 2012, the Town had $2,301,509 in bonds and notes outstanding versus $3,163,325 on June 30, 2011 – a decrease of $861,816 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-type Activities	Totals
Balances - July 1, 2011	$ 472,965	$ 2,690,360	$ 3,163,325
New loans and leases	349,020	12,833	361,853
Repayments	(137,881)	(846,608)	(984,489)
Balances - June 30, 2012	$ 684,104	$ 1,856,585	$ 2,540,689

Economic Factors and Next Year's Budgets and Rates

The budget for FY2012-2013 shows an increase of $266,473 in property tax revenue and this amount was offset somewhat with the utilization of $80,429 of fund balance. Grand List growth, however, allowed the municipal portion of the property tax rate to decrease $0.0269 from FY2009-2010 to FY2010-2011. Three (3) new commercial buildings will increase the Grand List with two (2) new tenants are confirmed for former Saputo Cheese Factory: Vermont Smoke & Cure and Green Mountain Organic Creamery. Furthermore, a new Kinney Drug Store opened in Hinesburg, a Jiffy Mart once damaged in a fire will be finished and will re-open shortly. Furthermore, ten (10) new housing permits, nine (9) new garage/barn additions, sixteen (16) new houses, and thirteen (13) new lots have been permitted over the past year.

DRAFT

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at Town of Hinesburg, PO Box 133, Hinesburg, Vermont.

TOWN OF HINESBURG, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,040,297	$ 335,827	$ 1,376,124
Investments	52,242	0	52,242
Receivables:			
Delinquent taxes	90,237	0	90,237
Delinquent tax interest	11,626	0	11,626
Sewer and water charges	0	194,219	194,219
Other	316,425	0	316,425
Prepaid expenses	50,895	0	50,895
Note receivable	805,980	0	805,980
Internal balances	(19,996)	19,996	0
Capital assets:			
Land	2,227,957	341,619	2,569,576
Land improvements	433,107	0	433,107
Construction in progress	572,658	0	572,658
Buildings	816,096	687,443	1,503,539
Improvements	0	3,857,794	3,857,794
Infrastructure	3,075,018	0	3,075,018
Equipment and vehicles	2,394,530	837,738	3,232,268
Accumulated depreciation	(2,354,347)	(1,735,389)	(4,089,736)
Total assets	9,512,725	4,539,247	14,051,972
LIABILITIES			
Accounts payable	239,856	10,000	249,856
Construction payable	103,217	0	103,217
Accrued and withheld payroll deductions	19,059	0	19,059
Accrued interest	10,384	5,371	15,755
Taxes collected in advance	16,013	0	16,013
Deferred revenue - town forest	1,754	0	1,754
Deferred revenue - police grants	1,115	0	1,115
Deferred revenue - bridge grant	19,021	0	19,021
Deferred revenue - other grants	3,750	0	3,750
Deferred revenue - development reimbursement	7,000	0	7,000
Bonds and notes payable due within one year	125,872	103,197	229,069
Due to State after one year	265,000	0	265,000
Accrued compensated absences due after one year	99,000	5,393	104,393
Bonds and notes payable due after one year	558,232	1,753,388	2,311,620
Total liabilities	1,469,273	1,877,349	3,346,622
NET ASSETS			
Unrestricted	864,782	529,278	1,394,060
Restricted:			
Cemetery	59,110	0	59,110
Impact fees	59,554	0	59,554
Other purposes	406,328	0	406,328
Invested in capital assets, net of related debt	6,653,678	2,132,620	8,786,298
Total net assets	$ 8,043,452	$ 2,661,898	$ 10,705,350

DRAFT

See Notes to Financial Statements.

TOWN OF HINESBURG, VERMONT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Change in Net Assets: Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	$ 961,096	$ 211,727	$ 95,420	$ 265,000	$ (388,949)	$ 0	$ (388,949)
Public safety	719,417	20,195	82,055	1,259,068	641,901	0	641,901
Highways and streets	700,059	0	185,040	0	(515,019)	0	(515,019)
Agency requests	223,170	0	0	0	(223,170)	0	(223,170)
Culture and recreation	99,556	0	243	162,903	63,590	0	63,590
Debt service	19,253	0	0	0	(19,253)	0	(19,253)
Health and cemetery	33,557	0	0	0	(33,557)	0	(33,557)
County tax	20,206	0	0	0	(20,206)	0	(20,206)
Total governmental activities	2,776,314	231,922	362,758	1,686,971	(494,663)	0	(494,663)
Business-type activities							
Water	151,776	327,047	0	854,795	0	1,030,066	1,030,066
Sewer	60,008	277,504	0	40,810	0	258,306	258,306
Shared expenses	405,054	0	0	0	0	(405,054)	(405,054)
Total business-type activities	616,838	604,551	0	895,605	0	883,318	883,318
Total government	$ 3,393,152	$ 836,473	$ 362,758	$ 2,582,576	(494,663)	883,318	388,655
General Revenues:							
Property taxes, penalties and interest					2,403,339	0	2,403,339
Earnings on investments					7,578	5,790	13,368
Gain (loss) on disposal of assets					(48,605)	0	(48,605)
Donations					500	0	500
Miscellaneous					20,143	46,991	67,134
Total general revenues					2,382,955	52,781	2,435,736
Change in net assets					1,888,292	936,099	2,824,391
Net assets - July 1, 2011					6,155,160	1,725,799	7,880,959
Net assets - June 30, 2012					$ 8,043,452	$ 2,661,898	$ 10,705,350

DRAFT

See Notes to Financial Statements.

TOWN OF HINESBURG, VERMONT

EXHIBIT C

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	Major Funds		Non-Major Funds	
	General Fund	VCDP Fund	Special Revenue Funds	Totals
ASSETS				
Cash and cash equivalents	$ 969,077	$ 1,325	$ 69,895	$ 1,040,297
Investments	0		52,242	52,242
Receivables:				
Delinquent taxes	90,237	0	0	90,237
Delinquent tax interest	11,626	0	0	11,626
Other	313,885	2,540	0	316,425
Note receivable	275,980	530,000	0	805,980
Prepaid expenses	50,895	0	0	50,895
Due from other funds	3,473	0	0	3,473
Total assets	$ 1,715,173	$ 533,865	$ 122,137	$ 2,371,175
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 239,856	$ 0	$ 0	$ 239,856
Construction payable	103,217	0	0	103,217
Accrued and withheld payroll deductions	19,059	0	0	19,059
Taxes collected in advance	16,013	0	0	16,013
Deferred revenue - taxes	65,000	0	0	65,000
Deferred revenue - town forest	1,754	0	0	1,754
Deferred revenue - police grants	1,115	0	0	1,115
Deferred revenue - bridge grant	19,021	0	0	19,021
Deferred revenue - other grants	3,750	0	0	3,750
Deferred revenue - development reimbursement	7,000	0	0	7,000
Deferred revenue - Mt. View	275,980	0	0	275,980
Deferred revenue - Vt Smoke and Cure	0	530,000	0	530,000
Due to other funds	17,456	2,540	3,473	23,469
Total liabilities	769,221	532,540	3,473	1,305,234
FUND BALANCES				
Fund balances				
Nonspendable - prepaids	50,895	0	0	50,895
Restricted	140,003	1,325	118,664	259,992
Assigned	278,291	0	0	278,291
Unassigned	476,763	0	0	476,763
Total fund balances	945,952	1,325	118,664	1,065,941
Total liabilities and fund balances	$ 1,715,173	$ 533,865	$ 122,137	$ 2,371,175

DRAFT

See Notes to Financial Statements.

TOWN OF HINESBURG, VERMONT

EXHIBIT D

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 1,065,941
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 $9,519,366 and the accumulated depreciation is $2,354,347.		7,165,019
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 revenue - VT Smoke & Cure	530,000	
Deferred revenue - Mt. View	275,980	
Deferred tax revenue	65,000	870,980
Long-term liabilities, including bonds payable and 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	684,104	
Due to State after one year	265,000	
Accrued interest on bonds and notes payable	10,384	
Accrued compensated absences	99,000	(1,058,488)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		$ 8,043,452

DRAFT

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	Major Funds		Non-Major Funds	
	General Fund	VCDP Fund	Special Revenue Funds	Totals
REVENUES				
Property taxes	$ 2,362,631	$ 0	$ 0	$ 2,362,631
Penalties and interest	21,208	0	0	21,208
Licenses and permits	36,006	0	0	36,006
Impact fees	0	0	25,814	25,814
Intergovernmental	520,496	538,808	0	1,059,304
Charges for services	149,907	0	0	149,907
Fines and forfeits	20,195	0	0	20,195
Investment income	3,032	1,325	3,221	7,578
Donations	500	0	0	500
Miscellaneous income	14,800	0	1,700	16,500
Total revenues	3,128,775	540,133	30,735	3,699,643
EXPENDITURES				
Current				
General government	1,136,589	538,808	0	1,675,397
Public safety	599,451	0	11,884	611,335
Highways and streets	468,840	0	0	468,840
Culture and recreation	94,503	0	0	94,503
Health and cemetery	31,074	0	2,483	33,557
County tax	20,206	0	0	20,206
Agency requests	223,170	0	0	223,170
Capital outlays				
General government	6,460	0	0	6,460
Public safety	80,700	0	0	80,700
Highways and streets	370,821	0	0	370,821
Culture and recreation	227,435	0	0	227,435
Debt service				
General government - interest	18,677	0	0	18,677
Highways and streets - principal	137,881	0	0	137,881
Total expenditures	3,415,807	538,808	14,367	3,968,982
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(287,032)	1,325	16,368	(269,339)
OTHER FINANCING SOURCES				
Debt proceeds - notes payable	239,180	0	0	239,180
Debt proceeds - capital lease	109,840	0	0	109,840
Sale of vehicle	2,750	0	0	2,750
Total other financing sources	351,770	0	0	351,770
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	64,738	1,325	16,368	82,431
FUND BALANCES - JULY 1, 2011	881,214	0	102,296	983,510
FUND BALANCES - JUNE 30, 2012	$ 945,952	$ 1,325	$ 118,664	$ 1,065,941

DRAFT

See Notes to Financial Statements.

TOWN OF HINESBURG, VERMONT

EXHIBIT F

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	$	82,431
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 of $685,416 plus donated assets of $1,259,068 exceeds depreciation expense of $383,233 and loss in disposal of assets of $51,355.		1,509,896
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.		137,881
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.		(614,020)
Notes receivable are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred receivables increased $769,180.		769,180
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes increased by $19,500.		19,500
In the statement of activities accrued compensated absences payable are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences incurred exceeded the amounts used by $16,000.		(16,000)
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 reduction in interest reported in the General Fund is because accrued interest on bonds and notes payable increased.		(576)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	1,888,292

DRAFT

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 2,503,456	$ 2,362,631	$ (140,825)
Penalties and interest	16,000	21,208	5,208
Licenses and permits	48,200	36,006	(12,194)
Intergovernmental	278,868	520,496	241,628
Charges for services	127,911	149,907	21,996
Fines and forfeits	20,150	20,195	45
Investment income	2,000	3,032	1,032
Donations	0	500	500
Miscellaneous income	4,000	14,800	10,800
Total revenues	3,000,585	3,128,775	128,190
EXPENDITURES			
Current			
General government	947,156	1,136,589	(189,433)
Public safety	605,621	599,451	6,170
Highways and streets	699,597	468,840	230,757
Culture and recreation	101,713	94,503	7,210
Health and cemetery	32,042	31,074	968
County tax	21,330	20,206	1,124
Agency requests	231,450	223,170	8,280
Capital outlays			
General government	0	6,460	(6,460)
Public safety	0	80,700	(80,700)
Highways and streets	223,500	370,821	(147,321)
Culture and recreation	0	227,435	(227,435)
Debt service			
Interest	20,273	18,677	1,596
Principal	117,903	137,881	(19,978)
Total expenditures	3,000,585	3,415,807	(415,222)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	(287,032)	(287,032)
OTHER FINANCING SOURCES			
Debt proceeds - note payable	0	239,180	239,180
Debt proceeds - capital lease	0	109,840	109,840
Sale of vehicle	0	2,750	2,750
Total other financing sources	0	351,770	351,770
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	$ 0	64,738	$ 64,738
FUND BALANCE - JULY 1, 2011		881,214	
FUND BALANCE - JUNE 30, 2012		$ 945,952	

DRAFT

See Notes to Financial Statements.

TOWN OF HINESBURG, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	$ 335,827
Accounts receivable:	
Water/sewer and other fees	194,219
Due from General Fund	19,996
Total current assets	550,042
Noncurrent assets:	
Capital assets	
Land	341,619
Buildings	687,443
Equipment and vehicles	837,738
Improvements	3,857,794
Accumulated depreciation	(1,735,389)
Total noncurrent assets	3,989,205
Total assets	4,539,247
LIABILITIES	
Current liabilities:	
Accounts payable	10,000
Accrued interest	5,371
Accrued compensated absences	5,393
Bonds and notes payable due within one year	103,197
Total current liabilities	123,961
Noncurrent liabilities:	
Bonds and notes payable due after one year	1,753,388
Total liabilities	1,877,349
NET ASSETS	
Unrestricted	529,278
Invested in capital assets, net of related debt	2,132,620
Total net assets	$ 2,661,898

DRAFT

See Notes to Financial Statements.

EXHIBIT I

TOWN OF HINESBURG, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Water and Sewer
OPERATING REVENUES:	
Charges for services:	
Water	$ 327,047
Sewer	221,659
Fees and charges	55,845
Miscellaneous income	46,991
Total operating revenues	651,542
OPERATING EXPENSES:	
Water Department	85,605
Sewer Department	60,008
Shared expenses	405,054
Total operating expenses	550,667
INCOME FROM OPERATIONS	100,875
NONOPERATING REVENUES (EXPENSES)	
Contributed infrastructure	118,997
Loan forgiveness - ANR	776,608
Interest and late charges	5,790
Interest expense	(66,171)
Total nonoperating revenues (expenses)	835,224
CHANGE IN NET ASSETS	936,099
NET ASSETS - JULY 1, 2011	1,725,799
NET ASSETS - JUNE 30, 2012	$ 2,661,898

DRAFT

See Notes to Financial Statements.

TOWN OF HINESBURG, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

EXHIBIT J

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 588,663
Cash received net of lease expense - Solar Trackers	2,406
Cash payments to employees and related benefits	(197,095)
Cash payments to suppliers for goods and services	(156,372)
Net cash from operating activities	237,602
CASH FLOWS TO NONCAPITAL FINANCING ACTIVITIES	
Interfund paydown	(30,680)
CASH FLOWS TO CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(29,883)
Interest paid on bonds	(66,516)
Additional proceeds from VT Muni Bond Bank/ARRA	12,833
Retirement of bonds & loans	(70,000)
Net cash to capital and related financing activities	(153,566)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	5,790
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,146
CASH AND CASH EQUIVALENTS - JULY 1, 2011	276,681
CASH AND CASH EQUIVALENTS - JUNE 30, 2012	$ 335,827
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITES	
Income from operations	$ 100,875
Adjustments to reconcile income from operations to net cash flow from operating activities:	
Depreciation	146,483
Change in assets and liabilities:	
Increase in accounts receivable	(18,378)
Decrease in accounts payable	8,622
Net cash from operating activities	$ 237,602
SUPPLEMENTAL NON-CASH TRANSACTIONS	
Contribution of capital assets	$ 118,997

DRAFT

See Notes to Financial Statements.

TOWN OF HINESBURG, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

EXHIBIT K

JUNE 30, 2012

	Private Purpose Trusts		Total
	Peck Estate	Eddy Family Recreation	Trust Funds
ASSETS			
Investments	$ 816,350	$ 92,640	$ 908,990
NET ASSETS			
Held in trust for others	$ 816,350	$ 92,640	$ 908,990

DRAFT

See Notes to Financial Statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2012

	Peck Estate	Eddy Family Recreation	Total Private Purpose Trusts
ADDITIONS			
Interest and dividends	$ 34,305	$ 0	$ 34,305
Unrealized investment gain	8,318	0	8,318
Total additions	42,623	0	42,623
DEDUCTIONS			
Administrative expenses	4,783	0	4,783
Payment to school	30,000	0	30,000
Total deductions	34,783	0	34,783
CHANGE IN NET ASSETS	7,840	0	7,840
NET ASSETS, JULY 1, 2011	808,510	92,640	901,150
NET ASSETS, JUNE 30, 2012	$ 816,350	$ 92,640	$ 908,990

DRAFT

The Town of Hinesburg, Vermont (the Town), was incorporated in 1792. 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 generally accepted accounting principles (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 enterprise 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 pronouncements 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. Based on the criteria for including organizations as component units within the Town's reporting entity, as set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, 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 (focusing on the Town's major funds). The government-wide and fund 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.

The government-wide Statement of Net Assets presents all the Town's activities 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, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, consisting of operating grants and contributions. 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.

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

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, fund equity, revenue and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds. GASB No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund is the only major governmental fund of the Town. The Water and Sewer Fund is a major enterprise fund.

The following fund categories are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental fund of the Town:

> 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. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

> Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenses/expenditures 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 and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when 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. Property taxes are considered available if collected within 60 days of year end. All other revenue is considered available if collectible within six months. 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, is recognized when due.

DRAFT

Budget Adoption

The Town approves a budget for the General Fund at an annual Town Meeting and the Selectboard determines the tax rate based on the budget and Grand List. 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 accounting principles generally accepted in the United States of America.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Selectboard. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

DRAFT

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

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. 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 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 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:

Buildings	20 – 50 years
Equipment and vehicles	5 – 15 years
Improvements	10 – 20 years
Infrastructure	24 – 30 years

GASB No. 34 requires the Town to report and depreciate new 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.

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 accounts.

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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/expenses. 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 governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

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. As of June 30, 2012, none of the government's bank balance was exposed to custodial credit risk as follows:

Insured by FDIC	$	69,858
Uninsured - collateralized		1,363,066
Total	$	1,432,924

DRAFT

Investments

As of June 30, 2012, the Town had the following investments:

Investment type:	
Money market funds	$ 180,154
Certificates of deposit (FDIC insured)	50,877
Mutual funds	119,089
Common stock	428,749
Corporate bonds	212,363
	$ 991,232

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Town has no investment policy that would limit its investment choices.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer.

NOTE 3 - CAPITAL ASSETS

Governmental Activities

The summary of capital assets as of June 30, 2012 is as follows:

	July 1, 2011	Depreciation and Additions	Deletions	June 30, 2012
Capital assets not depreciated				
Land	$ 2,227,957	$ 0	$ 0	$ 2,227,957
Construction in progress	361,577	242,505	(31,423)	572,659
Total capital assets not depreciated	2,589,534	242,505	(31,423)	2,800,616
Capital assets being depreciated				
Land improvements	400,228	32,879	0	433,107
Buildings	816,096	0	0	816,096
Infrastructure	1,539,247	1,535,771	0	3,075,018
Equipment and vehicles	2,313,545	133,329	(52,344)	2,394,530
Total capital assets being depreciated	5,069,116	1,701,979	(52,344)	6,718,751
Less accumulated depreciation for:				
Land improvements	59,572	21,021	0	80,593
Buildings	320,220	20,626	0	340,846
Infrastructure	270,372	142,663	0	413,035
Equipment and vehicles	1,353,363	198,923	(32,413)	1,519,873
Accumulated depreciation	2,003,527	383,233	(32,413)	2,354,347
Total capital assets, net	$ 5,655,123	$ 1,561,251	$ (51,354)	$ 7,165,020

Capital asset additions in 2012 included donated infrastructure, including the Silver Street Bridge, which the Town paid $103,217 for, and the remainder of the cost, $928,951, was donated by the State of Vermont. In addition, the Town received Thistle Hill Road, with all of the accompanying infrastructure, which had been developed by a private party before being donated to the Town.

DRAFT

Proprietary Fund

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

	July 1, 2011	Depreciation and Additions	Deletions	June 30, 2012
Water and Sewer Fund				
Land	$ 341,619	$ 0	$ 0	$ 341,619
Buildings	687,443	0	0	687,443
Improvements	3,717,127	140,667	0	3,857,794
Equipment and vehicles	829,525	8,213	0	837,738
Total capital assets	5,575,714	148,880	0	5,724,594
Less accumulated depreciation for:				
Buildings	234,372	13,749	0	248,121
Improvements	801,302	96,285	0	897,587
Equipment and vehicles	553,233	36,448	0	589,681
Accumulated depreciation	1,588,907	146,482	0	1,735,389
Total capital assets, net	$ 3,986,807	$ 2,398	$ 0	$ 3,989,205

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 38,879
Public safety	108,082
Highway and streets	231,219
Culture and recreation	5,053
Total governmental activities depreciation expense	$ 383,233
Business-type activities:	
Water and sewer - shared expenses	$ 146,482

NOTE 4 - NOTES RECEIVABLE

The Town has a note receivable at June 30, 2012 with Vermont Smoke and Cure, Inc. The Town has obtained a federal grant through the Vermont Community Development Program and has loaned these funds to Vermont Smoke and Cure, Inc. for redevelopment of the old Saputo Factory property. The Town holds a $530,000 note receivable with 1% interest, with terms of quarterly installments of interest only through July 2014, and principal and interest through January 2011. This total amount is considered deferred revenue for fund financial statement purposes.

For the government wide statements, 50% of the principal repayments are due back to the Vermont Community Development Program as required under the initial grant terms. The amount payable as of June 30, 2012 was $265,000.

The Town has a note receivable at June 30, 2012 with Mountain View Park for $275,980 with 2% interest. When this note is paid, it is immediately remitted to the Vermont Revolving Loan Fund, as reflected in the information in the Notes Payable section.

DRAFT

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE BALANCES

The Town has combined some of the cash resources of its governmental funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2012 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 3,473	$ 17,456
VCDP Fund	0	2,540
Enterprise Funds	19,996	0
Special Revenue Fund	0	3,473
	$ 23,469	$ 23,469

NOTE 6 – ACCOUNTS RECEIVABLE - OTHER

Accounts receivable – other consists of:

State of Vt. - STP Bike Grant	$ 240,157
State of Vt. - Falls Rd. culvert grant	47,949
Other grants	5,191
State of Vt. - judicial fines	1,085
GMP - solar credit	14,459
Other fees and reimbursments	5,044
	$ 313,885

NOTE 7 - LONG-TERM LIABILITIES

Notes, bonds and leases payable of the various funds consist of the following:

Governmental Activities	Total	Due within one year
Bond Payable - Vermont Municipal Bond Bank, interest between 5.4% and 6.6%, maturing December 1, 2012, principal payments of $20,000 due on December 1, interest due June 1 and December 1.	$ 20,000	$ 20,000
Capital Lease Payable - First Niagara Leasing, interest at 3.27%, maturing October 1, 2016, payments of $24,169 due annually beginning October 1, 2012.	109,840	20,578
Note Payable - People's United Bank, interest at 3.0%, maturing September 3, 2013. Annual principal payments of $27,130 beginning September 3, 2010.	54,259	27,130
Note Payable - Vermont Municipal Bond Bank, interest at 3.87% annual payments of principal and interest, maturing December 1, 2016.	50,000	10,000
Capital Lease Payable - Kansas State Bank, interest at 5.39%, maturing September 15, 2017, payments of $22,993 due annually beginning September 15, 2009.	115,264	16,780
Capital Lease Payable - Kansas State Bank, interest at 4.6%, maturing October 16, 2013, payments of $11,433 due annually beginning October 16, 2010.	21,232	10,353
Capital Lease Payable - First Capital Equipment Leasing, interest at 5.17%, maturing January 31, 2014, payments of $5,642 due quarterly beginning April 30, 2011.	37,529	21,031
Note Payable - Clean Water State Revolving Loan Fund, 2% interest maturing December 1, 2033, payments of $14,633 due annually beginning November 1, 2015.	275,980	0
Total governmental activities bonds and notes payable	684,104	125,872
Accrued compensated absences	99,000	0
Total governmental activities	$ 783,104	$ 125,872

DRAFT

NOTE 7 – LONG TERM LIABILITIES (Continued)

Business-type Activities	Total	Due within one year
Bond Payable - Vermont Municipal Bond Bank, interest between 4.0% and 6.2%, maturing December 1, 2026, principal payments of $70,000 due on December 1, interest due June 1 and December 1.	$ 1,050,000	$ 70,000
Bond Payable - Vermont Municipal Bond Bank, $125,111 at 0% interest, maturing July 1, 2031, annual payments of $1,833 beginning July 1, 2012. A principal payment of $95,134 was made in January, 2010 utilizing Federal ARRA funds.	29,977	1,234
Bond Payable - Vermont Municipal Bond Bank, $776,608 at 0% interest with a 2% admin. fee, maturing July 1, 2031, annual payments of $47,495 beginning July 1, 2012. This loan totalled $1,553,216 and 50% was forgiven at the at the completion of the project through an ARRA loan subsidy.	776,608	31,963
Total business activities bonds and notes payable	1,856,585	103,197
Accrued compensated absences	5,393	0
Total business activities	$ 1,861,978	$ 103,197

DRAFT

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2011	$ 3,251,718	$ 555,965	$ 2,695,753
Increase in accr. vacation payable	16,000	16,000	0
Bond, lease and note proceeds	361,853	349,020	12,833
Bonds and notes retired	(984,489)	(137,881)	(846,608)
Long-term liabilities at June 30, 2012	2,645,082	783,104	1,861,978
Due within one year	229,069	125,872	103,197
Due after one year	$ 2,416,013	$ 657,232	$ 1,758,781

NOTE 7 – LONG TERM LIABILITIES (Continued)

As of June 30, 2012, the maturities of the notes and bonds payable are as follows:

	Governmental Funds			Water and Sewer Fund		
	Principal	Interest and admin. fee	Total	Principal	Interest and admin. fee	Total
June 30, 2013	$ 125,872	$ 16,600	$ 142,472	$ 103,197	$ 78,500	$ 181,697
June 30, 2014	103,441	11,500	114,941	103,860	73,700	177,560
June 30, 2015	96,200	12,500	108,700	104,538	68,800	173,338
June 30, 2016	62,400	10,100	72,500	105,228	63,800	169,028
June 30, 2017	64,350	7,700	72,050	105,932	58,900	164,832
2018-2022	76,200	20,000	96,200	540,734	218,500	759,234
2023-2027	60,000	13,100	73,100	560,588	90,200	650,788
2028-2032	66,300	6,900	73,200	232,508	14,100	246,608
2033	29,341	900	30,241	232,508	14,100	246,608
Total	$ 684,104	$ 99,300	$ 783,404	$ 2,089,093	$ 680,600	$ 2,769,693

DRAFT

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The Town's policy is to permit employees to accumulate earned but unused combined time off pay benefits. The maximum that can be accumulated for combined time off is 1.5 times each employee's yearly earned amount. Fifty percent of the amount earned over the maximum can be carried over for an extended sick bank. Upon termination, employees will be paid the accumulated total of combined time off and extended sick bank. The long-term liability on June 30, 2012 was $99,000 for governmental activities and $5,393 for business-type activities and is reflected on the Government-wide Statement of Net Assets. During fiscal year 2012 this balance increased by $16,000 for governmental activities and was unchanged for business-type activities.

NOTE 9 - DEFERRED REVENUE

Deferred revenue in the General Fund consists of delinquent taxes not collected within sixty (60) days after the fiscal year end, unspent police grant, planned growth grant, bridge grant funds, and development reimbursement funds paid in advance and pass through loan funds subject to repayment.

NOTE 10 – RESTRICTED AND ASSIGNED FUND BALANCES AND NET ASSETS

Fund Balances and net assets are restricted and assigned as follows:

	Fund Balance Assigned	Fund Balance Restricted	Net Assets Restricted
General Fund			
Reappraisal	$ 0	$ 112,335	$ 112,335
Fire Department - landscaping	22,296	0	0
Land preservation	14,931	0	0
Print, bind & microfilm	10,397	0	0
Records restoration	0	27,668	27,668
Recreation - capital expense	13,013	0	0
Recreation Path Committee	136,667	0	0
Corridor improvement	58,320	0	0
Tree planting	5,136	0	0
Police station building	6,490	0	0
Conservation committee	6,821	0	0
Planning commission - prof. services	4,220	0	0
VDCP Fund	0	1,325	266,325
Cemetery	0	59,110	59,110
Impact fees	0	59,554	59,554
	$ 278,291	$ 259,992	$ 524,992

Proprietary Fund

The Sewer and Water Fund has unrestricted net assets of $529,278 as of June 30, 2012, of which $21,904 is set aside for sludge removal and $154,130 for other sewer and water projects.

DRAFT

NOTE 11 - PROPERTY TAXES

The Town levies its property tax based upon the assessed value as of April 1, for all real and personal property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. Tax payments are due November 15. Delinquent taxes are subject to interest of 1% per month for the first three months, then 1 1/2% per month thereafter until paid. Taxes not paid by July 1 following the due date, will result in action to sell the property to cover tax, costs and fees.

Tax stabilization contracts are agreements with individuals who own or lease agricultural land that would qualify currently under the State of Vermont Use Value Appraisal, or Working Farm Tax Abatement program on which the State pays proportionate tax.

NOTE 11 - PROPERTY TAXES (Continued)

The Town of Hinesburg also reduces taxes on certain property to encourage farming and nondevelopment of the land. These local contracts provide for a reduction on assessed value of farmland provided the land does not change in use. The contracts run for a period of ten years. At the end of ten years, all previous taxes related to the contract are abated. The penalty for noncompliance is that the current year taxes become due in addition to the deferred taxes for the three preceding years under this agreement and a penalty equal to 10% of the fair market value of the land at the time of dissolution of the contract. This tax and penalty shall be paid before or on the date of the transfer of title.

Property taxes levied for the year ended June 30, 2012 were calculated as follows:

	Grand List	Tax Rate	Total Amount
Municipal	$ 502,114,632	$0.4726	$ 2,372,994
Non-residential education	120,530,919	1.4331	1,727,329
Residential education	381,152,013	1.4208	5,415,408
Property taxes billed			9,515,730
Abatements and adjustments			9,138
Property taxes paid to School District			(7,142,737)
Change in deferred property taxes			(19,500)
Property tax revenues recognized in General Fund			$ 2,362,631

DRAFT

NOTE 12 - PENSION PLANS

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.

Of the Town's total payroll of $1,060,085, $712,082 was covered under the Group B Vermont Municipal Employees' Retirement System. Under plan Group B, employee contributions are 4.5% of gross pay and employer contributions are 5.0% of gross pay. Total employer contributions to the Vermont Municipal Employees' Retirement Plan was $35,604 for fiscal year 2012, $40,267 for fiscal year 2011, and $39,335 for fiscal year 2010.

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.

NOTE 12 - PENSION PLANS (Continued)

Defined Contribution Plan

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

Of the Town's total payroll of $1,060,085, $236,397 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were $12,115 and by the employees were $11,820.

NOTE 13 - RISK MANAGEMENT

The Town of Hinesburg is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 14 - CONTINGENCY

The Town of Hinesburg 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, 2012 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.

DRAFT

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, expenditures exceeded appropriations in the General Fund by $415,222. The excess expenditures were funded by excess revenue, and were a result of timing of grant expenditures spanning multiple fiscal years.

NOTE 16 – OPERATING LEASE

The Town has entered into a lease agreement with AllEarth Services LLC for thirty-one 4800 watt AllSun Trackers. The terms of the lease call for monthly lease payments of $3,500 per month for an initial term of five years. At the conclusion of the initial term, the Town has the option to purchase the equipment or renew the lease for up to two more five year periods. During the term of the agreement, the Town will receive monthly credits from Green Mountain Power Corp. based on energy produced. During the current fiscal year, lease payments were $42,094, while credit for energy produced were $44,501.

Future minimum rental payments are as follows:

6/30/2013	$ 42,000
6/30/2014	42,000
6/30/2015	42,000
6/30/2016	17,500
	$ 143,500

NOTE 17 – SUBSEQUENT EVENTS

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

In September, 2012, the Town entered into a lease purchase agreement for various equipment costing $279,155 payable over a five year period including interest of 2.94% per annum.

DRAFT

TOWN OF HINESBURG, VERMONT
COMBINING BALANCE SHEET
ALL NON MAJOR FUNDS
JUNE 30, 2012

SCHEDULE 1

	Cemetery Fund	Impact Fee Fund	Total
ASSETS			
Cash	$ 8,344	$ 61,551	$ 69,895
Investments	52,242	0	52,242
Total assets	$ 60,586	$ 61,551	$ 122,137
LIABILITIES			
Liabilities:			
Due to General Fund	$ 1,476	$ 1,997	$ 3,473
FUND BALANCES			
Restricted for specific purposes	59,110	59,554	118,664
Total liabilities and fund balances	$ 60,586	$ 61,551	$ 122,137

DRAFT

TOWN OF HINESBURG, VERMONT

SCHEDULE 2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NON MAJOR FUNDS
YEAR ENDED JUNE 30, 2012

	Cemetery Fund	Impact Fee Fund	Total
REVENUES			
Impact fees	$ 0	$ 25,814	$ 25,814
Investment income	3,115	106	3,221
Miscellaneous income	1,700	0	1,700
Total revenues	4,815	25,920	30,735
EXPENDITURES			
Current			
Cemetery expenses	2,483	0	2,483
Police impact expenditures	0	5,857	5,857
Fire impact expenditures	0	6,027	6,027
Total expenditures	2,483	11,884	14,367
EXCESS REVENUES	2,332	14,036	16,368
FUND BALANCES - JULY 1, 2011	56,778	45,518	102,296
FUND BALANCES - JUNE 30, 2012	$ 59,110	$ 59,554	$ 118,664

DRAFT