

**TOWN OF HINESBURG, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**TOWN OF HINESBURG, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**  
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# FOTHERGILL SEGALE & VALLEY

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## INDEPENDENT AUDITOR'S REPORT

January 18, 2010

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, Vermont, as of and for the year ended June 30, 2009, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hinesburg, Vermont, as of June 30, 2009, 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.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAS  
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TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009

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, 2009. 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 \$236,092, or approximately 14 percent and net assets of our governmental activities increased by \$392,521, or nearly 8 percent.
- In the Town's business-type activities, revenue increased to \$796,681 (or 54%) while expenses increased to \$560,860 (or 2%).
- The cost of all of the Town's programs was \$3,062,019 this year, with no new programs added.
- The General Fund reported a surplus this year of \$37,686 which was \$114,237 better than the budgeted deficit of \$76,551.
- The unreserved fund balance for the General Fund was \$249,326 as of June 30, 2009. This amount represents the amount of resources available for future budgets. Reserved fund balances of the General Fund total \$532,884 as of June 30, 2009. These amounts are reserved for expenditures in subsequent years.

**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.

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009  
(Continued)

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.

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009  
(Continued)

**The Town as a Whole**

The Town's combined net assets increased by \$628,613 from a year ago – increasing from \$6,738,714 to \$7,367,327. 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 2008.

Table 1  
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 1,016,098	\$ 994,116	\$ 390,983	\$ 412,210	\$ 1,407,081	\$ 1,406,326
Capital assets	5,201,996	4,789,659	2,824,865	2,604,974	8,026,861	7,394,633
Total assets	6,218,094	5,783,775	3,215,848	3,017,184	9,433,942	8,800,959
Long term liabilities	464,036	427,719	1,249,105	1,271,920	1,713,141	1,699,639
Other liabilities	268,357	262,876	85,117	99,730	353,474	362,606
Total liabilities	732,393	690,595	1,334,422	1,371,650	2,066,615	2,062,245
Net assets:						
Invested in capital assets, net of debt	4,721,767	4,354,380	1,522,038	1,263,054	6,243,805	5,617,434
Restricted	451,922	387,293	188,999	155,943	640,921	543,236
Unrestricted	312,012	351,507	170,589	226,537	482,601	578,044
Total net assets	<u>\$ 5,485,701</u>	<u>\$ 5,093,180</u>	<u>\$ 1,881,626</u>	<u>\$ 1,645,534</u>	<u>\$ 7,367,327</u>	<u>\$ 6,738,714</u>

Net assets of the Town's governmental activities increased by approximately 8% (\$5,485,701 compared to \$5,093,180). Most of this increase was due to the purchase of capital assets which do not show as expenses in the statement of activities and the receipt of an insurance reimbursement for a fire loss.

The net assets of our business-type activities increased by approximately 14% (\$1,881,626 compared to \$1,645,534). Most of this increase was due to the receipt of contributed infrastructure from the Creekside project. The Town generally can only use these net assets to finance the continuing operations of the water and wastewater operations.

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009  
(Continued)

Table 2  
Change in Net Assets

	Governmental Activities		Business- type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program revenues:						
Charges for services	\$ 175,147	\$ 169,315	\$ 560,860	\$ 507,506	\$ 736,007	\$ 676,821
Operating grants and contributions	285,573	222,575	0	0	285,573	222,575
Capital grants and contributions	58,479	389,769	230,400	0	288,879	389,769
General revenues:						
Property taxes, penalties and interest	2,238,604	1,991,983	0	0	2,238,604	1,991,983
Investment income	4,488	54,192	5,421	9,462	9,909	63,654
Grants received	0	715,000	0	0	0	715,000
Donations	0	395,000	0	0	0	395,000
Gain on fire loss	122,502	0	0	0	122,502	0
Other general revenue	9,158	27,643	0	387	9,158	28,030
Total revenues	<u>2,893,951</u>	<u>3,965,477</u>	<u>796,681</u>	<u>517,355</u>	<u>3,690,632</u>	<u>4,482,832</u>
PROGRAM EXPENSES						
General government	914,555	807,711	0	0	914,555	807,711
Public safety	602,212	585,889	0	0	602,212	585,889
Highway and streets	649,496	623,244	0	0	649,496	623,244
Agency requests	197,893	192,661	0	0	197,893	192,661
Culture and recreation	58,343	77,020	0	0	58,343	77,020
Debt service	23,774	22,662	0	0	23,774	22,662
Health and cemetery	30,415	32,695	0	0	30,415	32,695
County tax	24,742	23,614	0	0	24,742	23,614
Water	0	0	150,579	366,086	150,579	366,086
Wastewater	0	0	74,890	174,494	74,890	174,494
Shared expenses	0	0	335,120	6,404	335,120	6,404
Total program expenses	<u>2,501,430</u>	<u>2,365,496</u>	<u>560,589</u>	<u>546,984</u>	<u>3,062,019</u>	<u>2,912,480</u>
Increase (decrease) in net assets	<u>\$ 392,521</u>	<u>\$ 1,599,981</u>	<u>\$ 236,092</u>	<u>\$ (29,629)</u>	<u>\$ 628,613</u>	<u>\$ 1,570,352</u>

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

*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.



TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009  
(Continued)

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
General government	\$ 914,555	\$ 629,411	\$ 807,711	\$ 450,793
Public safety	602,212	532,028	585,889	472,729
Highways and streets	649,496	506,328	623,244	322,042
Agency requests	197,893	197,893	192,661	192,661
Culture and recreation	58,343	37,640	77,020	77,020
All others	78,931	78,931	78,971	68,592
Totals	<u>\$ 2,501,430</u>	<u>\$ 1,982,231</u>	<u>\$ 2,365,496</u>	<u>\$ 1,583,837</u>

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 \$847,079.

*General Fund Budgetary Highlights*

Exhibit G compares actual results for fiscal year 2009 to the approved budget for the General Fund. Revenues were greater than expenditures by \$37,686 which was \$114,237 better than the budget.

The most significant variances were as follows:

	Variance Favorable (Unfavorable)
REVENUES:	
Intergovernmental	\$ 151,525
Investment income	(43,284)
Licenses and permits	(16,525)
EXPENDITURES:	
General government	\$ (53,811)
Highways and streets	119,718
Culture and recreation	21,921
Capital outlays - general government	0
Capital outlays - public safety	(257,348)
Capital outlays - highways and streets	(165,375)
Capital outlays - culture and recreation	(18,003)
OTHER	
Insurance reimbursement	190,501
Debt proceeds - capital lease	160,629

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009  
(Continued)

Significant budget variances are explained below:

Revenues:

Intergovernmental revenues were greater than budgeted due to unanticipated funds received (or funds in excess of the budgeted amounts) for State Current Use payments, State AOT grant funds for highway safety improvements, the recreation path project and the streetscape project, as well as various State police grants (SHARP, DUI, Community Partners), and Federal Homeland Security funds for both police and fire. However, funds were anticipated but not received (or less was received) for Highway State Aid. The overall outcome was a favorable variance in the amount of intergovernmental revenues.

Investment income revenue was less than budgeted due to a drop in interest rates.

License and permit revenue was less than budgeted due to a slow down in the economy, a slow down in development and a decrease in zoning and subdivision applications.

Expenditures:

General Government expenditures were greater than anticipated due in part to legal expense associated with union contract negotiations, various grant projects (wind turbine, streetscape and wetland restoration) where the expense was offset by unanticipated revenue.

Highway and streets expenditures were significantly lower than budget primarily due to less than anticipated costs on summer highway projects.

Capital outlays – public safety were greater than anticipated due to necessary replacement of capital items as a result of damage caused by fighting the fire at the Saputo Cheese Factory, as well as expenditures for capital items through the use of grant revenue and use of funds held in reserve. These expenses were largely offset by the insurance reimbursement from the Saputo fire.

Capital outlays – highways and streets were greater than anticipated largely due to the purchase of a John Deere Grader. This over expenditure was offset by the debt proceeds from financing.

Capital outlays – culture and recreation were greater than anticipated due to expense associated with grant funded projects (enhancement grant project, wind turbine project and streetscape project). These expenses were offset by unanticipated revenue.

*Water and Wastewater Highlights*

Exhibit I shows actual results for the Water and Wastewater Fund for fiscal year 2009. Revenues were greater than expenses by \$236,092. \$230,400 of this excess was related to a capital contribution of infrastructure. The cash in the Water and Wastewater Fund decreased by \$22,867 as reflected on Exhibit J of the financial statements.

**Capital Asset and Debt Administration**

*Capital Assets*

At June 30, 2009, the Town had \$8,026,861 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 \$632,228 compared to June 30, 2008.

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009  
(Continued)

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

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$2,195,754	\$2,195,754	\$ 341,619	\$ 341,619	\$ 2,537,373	\$2,537,373
Construction in progress	410,353	349,005	0	0	410,353	349,005
Land improvements	176,962	168,190	0	0	176,962	168,190
Buildings	537,128	551,312	480,569	494,318	1,017,697	1,045,630
Equipment and vehicles	915,611	664,545	176,392	198,233	1,092,003	862,778
Improvements	0	0	1,826,285	1,570,804	1,826,285	1,570,804
Infrastructure	966,188	860,853	0	0	966,188	860,853
Totals	<u>\$5,201,996</u>	<u>\$4,789,659</u>	<u>\$2,824,865</u>	<u>\$2,604,974</u>	<u>\$8,026,861</u>	<u>\$7,394,633</u>

This year's major additions included:

	Governmental Activities	Business-type Activities	Totals
HFD Siren System	\$ 14,942	\$ 0	\$ 14,942
HPD & HFD Schematic Study	16,533	0	16,533
Pond Road	142,732	0	142,732
O'Neill Road	9,085	0	9,085
Bike STP Grant	23,003	0	23,003
Laplatte River - planting	10,597	0	10,597
Streetscape	5,269	0	5,269
Wind turbine	17,350	0	17,350
HFD - hoses	9,780	0	9,780
HFD Portable radio	11,157	0	11,157
HFD thermal imaging camera	25,727	0	25,727
HFD Scott airpack	102,791	0	102,791
HFD personal gear	36,001	0	36,001
HFD lights & gear bags	5,045	0	5,045
HWY radar speed control sign	6,413	0	6,413
HWY 2009 crew cab	34,228	0	34,228
HPD 2009 Chevy Tahoe	33,893	0	33,893
HPD computers - mobile	17,979	0	17,979
2008 John Deere grader	183,622	0	183,622
Sidewalk - enhancement grant	21,812	0	21,812
2003 Ford pick up	0	11,695	11,695
Electronic mapping system	0	13,621	13,621
Wastewater upgrade	0	96,964	96,964
Creekside - water system	0	115,200	115,200
Creekside - wastewater system	0	115,200	115,200
	<u>\$ 727,959</u>	<u>\$ 352,680</u>	<u>\$ 1,080,639</u>

The Town's fiscal year 2010 capital budget calls for it to spend \$428,795. The most significant of these expenses is \$75,000 for annual highway paving and \$50,000 towards the recreation path project.

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

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009  
(Continued)

*Debt*

At June 30, 2009, the Town had \$1,783,056 in bonds and notes outstanding versus \$1,777,198 on June 30, 2008 – an increase of \$5,857 – as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities	Business-type Activities	Totals
Balances - July 1, 2008	\$ 435,278	\$ 1,341,920	\$ 1,777,198
New loans	160,629	30,907	191,536
Repayments	(115,678)	(70,000)	(185,678)
Balances - June 30, 2009	<u>\$ 480,229</u>	<u>\$ 1,302,827</u>	<u>\$ 1,783,056</u>

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

The budget for the 2009-2010 fiscal year represents a 19% decrease in non-tax revenue (\$71,984), as well as a 1.6% decrease in expense (\$44,294). Zero growth was projected in the Grand List, and this resulted in no change in the projected tax rate. The Selectboard utilized \$103,158 from the fund balance to offset the decrease in non-tax revenue.

**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, 2009

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 719,850	\$ 254,306	\$ 974,156
Investments	38,008	0	38,008
Receivables:			
Delinquent taxes	70,325	0	70,325
Delinquent tax interest	6,525	0	6,525
Sewer and water charges	0	186,631	186,631
Other	88,763	0	88,763
Prepaid expenses	42,673	0	42,673
Internal balances	49,954	(49,954)	0
Capital assets:			
Land	2,195,754	341,619	2,537,373
Land improvements	197,715	0	197,715
Construction in progress	410,353	0	410,353
Buildings	816,096	687,443	1,503,539
Improvements	0	2,458,185	2,458,185
Infrastructure	1,107,062	0	1,107,062
Equipment and vehicles	2,001,896	739,938	2,741,834
Accumulated depreciation	(1,526,880)	(1,402,320)	(2,929,200)
Total assets	<u>6,218,094</u>	<u>3,215,848</u>	<u>9,433,942</u>
<b>LIABILITIES</b>			
Accounts payable	74,864	6,406	81,270
Accrued wages	12,739	2,318	15,057
Accrued and withheld payroll deductions	2,175	0	2,175
Accrued interest	10,145	6,393	16,538
Taxes collected in advance	5,197	0	5,197
Deferred revenue - wind turbine	1,728	0	1,728
Deferred revenue - police grants	1,113	0	1,113
Deferred revenue - bridge grant	19,021	0	19,021
Deferred revenue - other grants	6,182	0	6,182
Deferred revenue - development reimbursement	7,000	0	7,000
Bonds and notes payable due within one year	128,193	70,000	198,193
Accrued compensated absences	112,000	16,278	128,278
Bonds and notes payable due after one year	352,036	1,232,827	1,584,863
Total liabilities	<u>732,393</u>	<u>1,334,222</u>	<u>2,066,615</u>
<b>NET ASSETS</b>			
Unrestricted	312,012	170,589	482,601
Restricted:			
Cemetery	64,869	0	64,869
Other purposes	387,053	0	387,053
Capital improvements	0	188,999	188,999
Invested in capital assets, net of related debt	<u>4,721,767</u>	<u>1,522,038</u>	<u>6,243,805</u>
Total net assets	<u>\$ 5,485,701</u>	<u>\$ 1,881,626</u>	<u>\$ 7,367,327</u>

See Notes to Financial Statements.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

Functions/Programs	Net (Expenses) Revenues and Change in Net Assets						
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 914,555	\$ 158,975	\$ 88,393	\$ 37,776	\$ (629,411)	\$ 0	\$ (629,411)
Public safety	602,212	16,172	54,012	0	(532,028)	0	(532,028)
Highways and streets	649,496	0	143,168	0	(506,328)	0	(506,328)
Agency requests	197,893	0	0	0	(197,893)	0	(197,893)
Culture and recreation	58,343	0	0	20,703	(37,640)	0	(37,640)
Debt service	23,774	0	0	0	(23,774)	0	(23,774)
Health and cemetery	30,415	0	0	0	(30,415)	0	(30,415)
County tax	24,742	0	0	0	(24,742)	0	(24,742)
Total governmental activities	2,501,430	175,147	285,573	58,479	(1,982,231)	0	(1,982,231)
Business-type activities							
Water	150,579	280,732	0	230,400	0	360,553	360,553
Sewer	74,890	280,128	0	0	0	205,238	205,238
Shared expenses	335,120	0	0	0	0	(335,120)	(335,120)
Total business-type activities	560,589	560,860	0	230,400	0	230,671	230,671
Total government	\$ 3,062,019	\$ 736,007	\$ 285,573	\$ 288,879	(1,982,231)	230,671	(1,751,560)
General Revenues:							
Property taxes, penalties and interest					2,238,604	0	2,238,604
Earnings on investments					4,488	5,421	9,909
Gain on disposal of assets - fire					122,502	0	122,502
Miscellaneous					9,158	0	9,158
Total general revenues					2,374,752	5,421	2,380,173
Change in net assets					392,521	236,092	628,613
Net assets - July 1, 2008					5,093,180	1,645,534	6,738,714
Net assets - June 30, 2009					\$ 5,485,701	\$ 1,881,626	\$ 7,367,327

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	Major Fund General Fund	Special Revenue Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 691,222	\$ 28,628	\$ 719,850
Investments	0	38,008	38,008
Receivables:			
Delinquent taxes	70,325	0	70,325
Delinquent tax interest	6,525	0	6,525
Other	88,763	0	88,763
Prepaid expenses	42,673	0	42,673
Due from other funds	51,721	0	51,721
Total assets	<u>\$ 951,229</u>	<u>\$ 66,636</u>	<u>\$ 1,017,865</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 74,864	\$ 0	\$ 74,864
Accrued wages	12,739	0	12,739
Accrued and withheld payroll deductions	2,175	0	2,175
Taxes collected in advance	5,197	0	5,197
Deferred revenue - taxes	39,000	0	39,000
Deferred revenue - community partner	1,728	0	1,728
Deferred revenue - police grants	1,113	0	1,113
Deferred revenue - bridge grant	19,021	0	19,021
Deferred revenue - other grants	6,182	0	6,182
Deferred revenue - development reimbursement	7,000	0	7,000
Due to other funds	0	1,767	1,767
Total liabilities	<u>169,019</u>	<u>1,767</u>	<u>170,786</u>
<b>FUND BALANCES</b>			
Fund balances			
Reserved for specific purposes	429,726	64,869	494,595
Reserved for 2009-2010 fiscal year	103,158	0	103,158
Unreserved	249,326	0	249,326
Total fund balances	<u>782,210</u>	<u>64,869</u>	<u>847,079</u>
Total liabilities and fund balances	<u>\$ 951,229</u>	<u>\$ 66,636</u>	<u>\$ 1,017,865</u>

TOWN OF HINESBURG, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 847,079

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  
\$6,728,876, and the accumulated depreciation is \$1,526,880. 5,201,996

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 tax revenue 39,000

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	480,229	
Accrued interest on bonds and notes payable	10,145	
Accrued compensated absences	112,000	(602,374)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 5,485,701



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

YEAR ENDED JUNE 30, 2009

	Major Fund General Fund	Special Revenue Fund	Totals
REVENUES			
Property taxes	\$ 2,218,037	\$ 0	\$ 2,218,037
Penalties and interest	16,567	0	16,567
Licenses and permits	40,375	0	40,375
Intergovernmental	344,052	0	344,052
Charges for services	118,600	0	118,600
Fines and forfeits	16,172	0	16,172
Investment income (loss)	11,716	(7,228)	4,488
Miscellaneous income	7,457	1,700	9,157
Total revenues	<u>2,772,976</u>	<u>(5,528)</u>	<u>2,767,448</u>
EXPENDITURES			
Current			
General government	879,461	0	879,461
Public safety	510,935	0	510,935
Highways and streets	526,635	0	526,635
Culture and recreation	54,952	0	54,952
Health and cemetery	28,334	2,081	30,415
County tax	24,742	0	24,742
Agency requests	197,893	0	197,893
Capital outlays			
General government	55,029	0	55,029
Public safety	273,848	0	273,848
Highways and streets	376,079	0	376,079
Culture and recreation	23,003	0	23,003
Debt service			
General government - interest	19,831	0	19,831
Highways and streets - principal	115,678	0	115,678
Total expenditures	<u>3,086,420</u>	<u>2,081</u>	<u>3,088,501</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	<u>(313,444)</u>	<u>(7,609)</u>	<u>(321,053)</u>
OTHER FINANCING SOURCES (USES)			
Debt proceeds - capital lease	160,629	0	160,629
Insurance reimbursement	190,501	0	190,501
Total other financing sources (uses)	<u>351,130</u>	<u>0</u>	<u>351,130</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	37,686	(7,609)	30,077
FUND BALANCES - JULY 1, 2008	<u>744,524</u>	<u>72,478</u>	<u>817,002</u>
FUND BALANCES - JUNE 30, 2009	<u>\$ 782,210</u>	<u>\$ 64,869</u>	<u>\$ 847,079</u>

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, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	30,077
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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 \$727,960, net of book value of disposals of \$67,999 exceeds depreciation expense of \$247,623 in the period.		412,338
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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.		115,678
--	--	---------

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.		(160,629)
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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 \$4,000.		4,000
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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 \$5,000.		(5,000)
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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 addition in interest reported in the General Fund is because accrued interest on bonds and notes payable increased.		(3,943)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	392,521
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,214,262	\$ 2,218,037	\$ 3,775
Penalties and interest	16,000	16,567	567
Licenses and permits	56,900	40,375	(16,525)
Intergovernmental	192,527	344,052	151,525
Charges for services	108,795	118,600	9,805
Fines and forfeits	20,150	16,172	(3,978)
Investment income	55,000	11,716	(43,284)
Miscellaneous income	4,500	7,457	2,957
Total revenues	2,668,134	2,772,976	104,842
EXPENDITURES			
Current			
General government	825,650	879,461	(53,811)
Public safety	516,811	510,935	5,876
Highways and streets	646,353	526,635	119,718
Culture and recreation	76,873	54,952	21,921
Health and cemetery	31,703	28,334	3,369
County tax	24,182	24,742	(560)
Agency requests	205,392	197,893	7,499
Capital outlays			
General government	50,000	55,029	(5,029)
Public safety	16,500	273,848	(257,348)
Highways and streets	210,704	376,079	(165,375)
Culture and recreation	5,000	23,003	(18,003)
Debt service			
Interest	19,839	19,831	8
Principal	115,678	115,678	0
Total expenditures	2,744,685	3,086,420	(341,735)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(76,551)	(313,444)	(236,893)
OTHER FINANCING SOURCES (USES)			
Debt proceeds - capital lease	0	160,629	160,629
Insurance reimbursement	0	190,501	190,501
Total other financing sources (uses)	0	351,130	351,130
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ (76,551)	37,686	\$ 114,237
FUND BALANCE - JULY 1, 2008		744,524	
FUND BALANCE - JUNE 30, 2009		\$ 782,210	

TOWN OF HINESBURG, VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

EXHIBIT H

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 254,306
Accounts receivable:	
Water/sewer and other fees	186,631
Total current assets	<u>440,937</u>
Noncurrent assets:	
Capital assets	
Land	341,619
Buildings	687,443
Equipment and vehicles	739,938
Improvements	2,458,185
Accumulated depreciation	<u>(1,402,320)</u>
Total noncurrent assets	<u>2,824,865</u>
Total assets	<u>3,265,802</u>
LIABILITIES	
Current liabilities:	
Accounts payable	6,406
Accrued wages	2,318
Accrued interest	6,393
Due to General Fund	49,954
Accrued compensated absences	16,278
Bonds and notes payable due within one year	<u>70,000</u>
Total current liabilities	<u>151,349</u>
Noncurrent liabilities:	
Bonds and notes payable due after one year	<u>1,232,827</u>
Total liabilities	<u>1,384,176</u>
NET ASSETS	
Unrestricted	170,589
Restricted for:	
Sludge removal	106,989
Other projects	82,010
Invested in capital assets, net of related debt	<u>1,522,038</u>
Total net assets	<u><u>\$ 1,881,626</u></u>

TOWN OF HINESBURG, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

EXHIBIT I

	<u>Water and Sewer</u>
OPERATING REVENUES:	
Charges for services:	
Water	\$ 280,732
Sewer	256,634
Fees and charges	<u>23,494</u>
Total operating revenues	<u>560,860</u>
OPERATING EXPENSES:	
Water department	72,196
Sewer department	74,890
Shared expenses	<u>335,120</u>
Total operating expenses	<u>482,206</u>
INCOME FROM OPERATIONS	<u>78,654</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	5,421
Interest expense	<u>(78,383)</u>
Total nonoperating revenues (expenses)	<u>(72,962)</u>
INCOME BEFORE OTHER GAINS, LOSSES AND TRANSFERS	5,692
OTHER GAINS, LOSSES AND TRANSFERS	
Contributed infrastructure	<u>230,400</u>
CHANGE IN NET ASSETS	236,092
NET ASSETS - JULY 1, 2008	<u>1,645,534</u>
NET ASSETS - JUNE 30, 2009	<u><u>\$ 1,881,626</u></u>

TOWN OF HINESBURG, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

EXHIBIT J

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 528,365
Cash payments to employees and related benefits	(189,135)
Cash payments to suppliers for goods and services	(158,284)
Net cash from operating activities	<u>180,946</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund paydown	<u>30,855</u>
CASH FLOWS TO CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(122,280)
Proceeds from revolving loan fund	30,907
Interest paid on bonds	(78,716)
Retirement of bonds	(70,000)
Net cash to capital and related financing activities	<u>(240,089)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>5,421</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,867)
CASH AND CASH EQUIVALENTS - JULY 1, 2008	<u>277,173</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2009	<u><u>\$ 254,306</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Income from operations	\$ 78,654
Adjustments to reconcile income from operations to net cash flow from operating activities:	
Depreciation	132,789
Change in assets and liabilities:	
Increase in accounts receivable	(32,495)
Increase in accounts payable	1,998
Net cash from operating activities	<u><u>\$ 180,946</u></u>
Non cash investing and financing activities:	
Acquisition of capital assets	\$ (230,400)
Contributed infrastructure	230,400

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

EXHIBIT K

JUNE 30, 2009

	Private Purpose Trusts		Total
	Peck	Eddy Family	Trust
	Estate	Recreation	Funds
ASSETS			
Cash	\$ 14,283	\$ 311	\$ 14,594
Investments	642,853	91,711	734,564
Total assets	657,136	92,022	749,158
LIABILITIES			
Liabilities:			
Due to other organizations	0	0	0
Total liabilities	0	0	0
NET ASSETS			
Held in trust for others	\$ 657,136	\$ 92,022	\$ 749,158

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2009

	Peck Estate	Eddy Family Recreation	Total Private Purpose Trusts
ADDITIONS			
Interest and dividends	\$ 32,210	\$ 2,876	\$ 35,086
Unrealized investment gain (loss)	(88,666)	1,121	(87,545)
Total additions	(56,456)	3,997	(52,459)
DEDUCTIONS			
Administrative expenses	3,593	0	3,593
Payment to school	28,000	0	28,000
Total deductions	31,593	0	31,593
CHANGE IN NET ASSETS	(88,049)	3,997	(84,052)
NET ASSETS, JULY 1, 2008	745,185	88,025	833,210
NET ASSETS, JUNE 30, 2009	<u>\$ 657,136</u>	<u>\$ 92,022</u>	<u>\$ 749,158</u>



TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

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.).

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**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.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**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. 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.

*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 U.S. generally accepted accounting principles.

*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 HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

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

*Fund Balances/Retained Earnings*

Fund equity is classified into the following categories:

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

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

*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*

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.

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

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**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 U.S. generally accepted accounting principles 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 determined 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. As of June 30, 2009, none of the government's bank balance of \$993,605 was exposed to custodial credit risk.

*Investments*

As of June 30, 2009, the Town had the following investments.

Investment Type:	
Mutual funds	\$ 63,254
Certificate of deposits	91,711
Common stock	321,760
Corporate bonds	295,847
	<u>\$ 772,572</u>

*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.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE 3 - CAPITAL ASSETS**

*Governmental Activities*

The summary of capital assets as of June 30, 2009 is as follows:

	July 1, 2008	Depreciation and Additions	Deletions	June 30, 2009
Capital assets not depreciated				
Land	\$ 2,195,754	\$ 0	\$ 0	\$ 2,195,754
Construction in progress	349,005	61,348	0	410,353
Total capital assets not depreciated	2,544,759	61,348	0	2,606,107
Capital assets being depreciated				
Land improvements	181,849	15,866	0	197,715
Buildings	801,153	14,943	0	816,096
Infrastructure	955,247	151,815	0	1,107,062
Equipment and vehicles	1,728,418	483,987	(210,509)	2,001,896
Total capital assets being depreciated	3,666,667	666,611	(210,509)	4,122,769
Less accumulated depreciation for:				
Land improvements	13,659	7,094	0	20,753
Buildings	249,841	29,127	0	278,968
Infrastructure	94,394	46,480	0	140,874
Equipment and vehicles	1,063,873	164,922	(142,510)	1,086,285
Accumulated depreciation	1,421,767	247,623	(142,510)	1,526,880
Total capital assets, net	\$ 4,789,659	\$ 480,336	\$ (67,999)	\$ 5,201,996

*Proprietary Fund*

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

	July 1, 2008	Depreciation and Additions	Deletions	June 30, 2009
<b>Water and Sewer Fund</b>				
Land	\$ 341,619	\$ 0	\$ 0	\$ 341,619
Buildings	687,443	0	0	687,443
Improvements	2,130,821	327,364	0	2,458,185
Equipment and vehicles	736,487	25,316	(21,865)	739,938
Total capital assets	3,896,370	352,680	(21,865)	4,227,185
Less accumulated depreciation for:				
Buildings	193,125	13,749	0	206,874
Improvements	560,017	71,883	0	631,900
Equipment and vehicles	538,254	47,157	(21,865)	563,546
Accumulated depreciation	1,291,396	132,789	(21,865)	1,402,320
Total capital assets, net	\$ 2,604,974	\$ 219,891	\$ 0	\$ 2,824,865

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE 3 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 30,094
Public safety	91,277
Higways and streets	122,861
Culture and recreation	3,391
Total governmental activities depreciation expense	<u>\$ 247,623</u>

Business-type activities:

Water and sewer - shared expenses	<u>\$ 132,789</u>
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**NOTE 4 - 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, 2009 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 51,721	\$ 0
Enterprise Funds	0	49,954
Special Revenue Fund	0	1,767
	<u>\$ 51,721</u>	<u>\$ 51,721</u>

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE 5 - LONG-TERM LIABILITIES**

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

<u>Governmental Activities</u>	<u>Total</u>	<u>Due within one year</u>
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.	\$ 80,000	\$ 20,000
Bond Payable - Vermont Municipal Bond Bank, interest at 2.80%, maturing December 1, 2011, principal payments of \$30,000 until December 1, 2011.	90,000	30,000
Note Payable - Chittenden Bank, interest at 2.75%, maturing July 7, 2009, principal and interest due in full.	25,530	25,530
Note Payable - Vermont Municipal Bond Bank, interest at 3.87% annual payments of principal and interest, maturing December 1, 2016.	95,000	15,000
Capital Lease Payable - Kansas State Bank, interest at 5.7%, maturing August 4, 2010, payments of \$25,000 due annually beginning August 4, 2007. Final payment of \$6,072 due August 4, 2010.	29,070	23,328
Capital Lease Payable - Kansas State Bank, interest at 5.39%, maturing September 15, 2017, payments of \$22,993 due annually beginning September 15, 2009.	160,629	14,335
Total governmental activities bonds and notes payable	480,229	128,193
Accrued compensated absences	112,000	0
Total governmental activities	<u>\$ 592,229</u>	<u>\$ 128,193</u>
<u>Business-type Activities</u>		
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.	\$ 1,260,000	\$ 70,000
Bond Payable - Vermont Municipal Bond Bank, \$129,460 at 0% interest, maturing July 1, 2023, annual payments of \$12,946 beginning July 1, 2014.	42,827	0
Total business activities bonds and notes payable	1,302,827	70,000
Accrued compensated absences	16,278	0
Total business activities	<u>\$ 1,319,105</u>	<u>\$ 70,000</u>



TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE 5 – LONG TERM LIABILITIES (Continued)**

During the fiscal year ended June 30, 2009 the following changes occurred in long-term liabilities:

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2008	\$ 1,900,476	\$ 542,278	\$ 1,358,198
Increase in accrued vacation payable	5,000	5,000	0
Bond and note proceeds	191,536	160,629	30,907
Bonds and notes retired	(185,678)	(115,678)	(70,000)
Long-term liabilities at June 30, 2009	1,911,334	592,229	1,319,105
Due within one year	(198,193)	(128,193)	(70,000)
Due after one year	<u>\$ 1,713,141</u>	<u>\$ 464,036</u>	<u>\$ 1,249,105</u>

As of June 30, 2009 the maturities of the notes and bonds payable are as follows:

	Governmental Funds			Water and Sewer Fund		
	Principal	Interest	Total	Principal	Interest	Total
June 30, 2010	\$ 128,193	\$ 24,000	\$ 152,193	\$ 70,000	\$ 74,700	\$ 144,700
June 30, 2011	85,850	16,500	102,350	70,000	70,600	140,600
June 30, 2012	80,922	12,100	93,022	70,000	66,500	136,500
June 30, 2013	46,780	8,800	55,580	70,000	62,400	132,400
June 30, 2014	27,685	6,800	34,485	70,000	58,200	128,200
2015-2019	110,799	13,100	123,899	392,827	227,200	620,027
2020-2024	0	0	0	350,000	119,200	469,200
2025-2029	0	0	0	210,000	19,500	229,500
Total	<u>\$ 480,229</u>	<u>\$ 81,300</u>	<u>\$ 561,529</u>	<u>\$1,302,827</u>	<u>\$ 698,300</u>	<u>\$ 2,001,127</u>

**NOTE 6 - 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 liability on June 30, 2009 was \$112,000 for governmental activities and \$16,278 for business-type activities and is reflected on the Government-wide Statement of Net Assets. During fiscal year 2009 this balance increased by \$5,000 for governmental activities and had no change for business-type activities.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE 7 - 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.

**NOTE 8 - RESERVED FUND BALANCES AND RESTRICTED NET ASSETS**

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

	Fund Balance Reserved	Net Assets Restricted
Reappraisal	\$ 57,098	\$ 57,098
Fire Department - landscaping	19,700	19,700
Land preservation	22,431	22,431
Print, bind & microfilm	8,505	8,505
Records restoration	25,363	25,363
Recreation - capital expense	15,697	15,697
Recreation Path Committee	109,908	109,908
Corridor improvement	55,821	55,821
Tree planting	4,906	4,906
Highway paving and reconstruction	54,682	54,682
Police station building	3,280	3,280
Conservation committee	6,821	6,821
Planning commission - prof. services	2,841	2,841
2009-2010 expenditures	103,158	0
Cemetery	64,869	64,869
Prepaid expenses	42,673	0
Sludge removal	0	106,989
Other water and sewer projects	0	82,010
Total	<u>\$ 597,753</u>	<u>\$ 640,921</u>

**NOTE 9 - 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.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE 9 - 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, 2009 were calculated as follows:

	<u>Grand List</u>	<u>Tax Rate</u>	<u>Total Amount</u>
Municipal	\$ 495,039,600	\$0.4472	\$ 2,213,817
Non-residential education	116,892,950	1.3339	1,559,235
Residential education	371,742,150	1.3477	<u>5,009,969</u>
Property taxes billed			8,783,021
Abatements and adjustments			(4,807)
Property taxes paid to School District			(6,556,177)
Change in deferred property taxes			<u>(4,000)</u>
Property tax revenues recognized in General Fund			<u><u>\$ 2,218,037</u></u>

**NOTE 10 - 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 \$984,358, \$791,386 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 \$39,569 for fiscal year 2009, \$38,913 for fiscal year 2008 and \$35,102 for fiscal year 2007.

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.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**NOTE 10 - 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% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$984,358, \$104,925 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$5,246 and by the employees were \$5,246.

**NOTE 11 - 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 12 - 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, 2009 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 13 - WASTEWATER UTILITY AGREEMENT**

The Town entered into an agreement on July 1, 2001 that expired June 30, 2006 with Saputo Cheese USA, Inc. (Saputo). The agreement was subsequently extended to June 1, 2007. Although not formally extended beyond this date the parties have been operating under the terms of the agreement while a new one is being negotiated. Under the agreement, the Town will continue to operate and maintain a wastewater treatment facility with enough capacity to process the wastewater flow from a pretreatment facility owned by Saputo. Saputo has agreed to pay a minimum user fee based on the wastewater plant operating budget. Each June during the term of this agreement, Saputo's minimum fee for the following Town fiscal year will be calculated. Saputo has agreed to pay a surcharge above permitted flows according to an agreed upon schedule. During fiscal year 2009 approximately 47% of the wastewater revenue came from Saputo. Effective July 1, 2009 Saputo has terminated its agreement with the Town. The Town has adjusted rates for other customers to negate a potential shortage in revenue related to the termination.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

**NOTE 14 – FIRE INSURANCE PROCEEDS**

The Town received an insurance reimbursement of \$190,501 as the result of a contaminant from the fire at the Saputo plant making fire fighting equipment unusable. The reimbursement was used to buy replacement equipment.

**NOTE 15 – SUBSEQUENT EVENTS**

On September 3, 2009, the Town entered into a capital equipment note with the Chittenden Bank for the purchase of a 2010 dump truck. The note is for \$108,519, bears an interest rate of 3.00% per annum with annual principal and interest payments of \$27,130 and matures September 3, 2013.

On October 16, 2009, the Town entered into a capital lease transaction with Kansas State Bank of Manhattan for the purchase of a Bobcat 5600 Turbo Toolcat. The purchase price is \$51,890 with \$11,433 due at purchase and the remaining \$40,921 financed over a four year period. Annual payments in the amount of \$11,433 are due in October, 2010 and include interest at approximately 4.5%.

The Town has approved and has applied for up to \$2.1 million in Revolving Loan Funds for a wastewater upgrade project. Subsequently, estimated project costs have been set at \$1,591,676. The majority of this project is anticipated to be funded with a Federal ARRA subsidy and loan. On October 21, 2009 the Town received a bond anticipation note from the Chittenden Bank for \$500,000 with an interest rate of 2.25%. This note was subsequently increased to \$880,000. As of the date of the audit report, the bond has not been finalized.

Management has evaluated subsequent events through January 18, 2010, the date which the financial statements were available for issue. Management is not aware of any other subsequent events which require disclosure.