

TOWN OF HINESBURG, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page #</u>
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

TOWN OF HINESBURG, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2011

TABLE OF CONTENTS
(Continued)

		<u>Page #</u>
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
INTERNAL CONTROL AND COMPLIANCE REPORT		
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		40 - 41

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

INDEPENDENT AUDITOR'S REPORT

January 3, 2012

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, 2011, 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 of Hinesburg, Vermont, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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 as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

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, 2011. 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 decreased by \$92,473, or approximately 5 percent and net assets of our governmental activities increased by \$294,411, or nearly 5 percent.
- In the Town's business-type activities, revenue increased to \$560,760 (or 9%) while expenses increased to \$653,233 (or 13%).
- The cost of all of the Town's programs was \$3,298,919 this year, with no new programs added.
- The General Fund reported an increase in fund balance this year of \$72,177 which was \$72,177 better than budget.
- The unassigned fund balance for the General Fund was \$430,016 as of June 30, 2011. This amount represents the amount of resources available for future budgets. Assigned fund balances of the General Fund total \$282,544 as of June 30, 2011. These amounts are set aside for expenditures in subsequent years. Nonspendable fund balances total \$52,955. This amount represents prepaid expenses for the subsequent year. Restricted fund balances are \$115,699. These amounts are restricted to a specific use.

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, 2011
(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, 2011
(Continued)

The Town as a Whole

The Town's combined net assets increased by \$201,938 from a year ago – increasing from \$7,679,021 to \$7,880,959. 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 2010.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,203,348	\$ 1,061,419	\$ 441,838	\$ 477,688	\$ 1,645,186	\$ 1,539,107
Capital assets	5,655,123	5,547,575	3,986,807	4,128,327	9,641,930	9,675,902
Total assets	<u>6,858,471</u>	<u>6,608,994</u>	<u>4,428,645</u>	<u>4,606,015</u>	<u>11,287,116</u>	<u>11,215,009</u>
Long term liabilities	418,084	465,658	1,821,573	1,879,958	2,239,657	2,345,616
Other liabilities	285,227	282,587	881,273	907,785	1,166,500	1,190,372
Total liabilities	<u>703,311</u>	<u>748,245</u>	<u>2,702,846</u>	<u>2,787,743</u>	<u>3,406,157</u>	<u>3,535,988</u>
Net assets:						
Invested in capital assets, net of debt	5,182,158	5,046,563	1,296,447	1,480,925	6,478,605	6,527,488
Restricted	217,995	505,675	0	153,624	217,995	659,299
Unrestricted	755,007	308,511	429,352	183,723	1,184,359	492,234
Total net assets	<u>\$ 6,155,160</u>	<u>\$ 5,860,749</u>	<u>\$ 1,725,799</u>	<u>\$ 1,818,272</u>	<u>\$ 7,880,959</u>	<u>\$ 7,679,021</u>

Net assets of the Town's governmental activities increased by approximately 5% (\$6,155,160 compared to \$5,860,749). Most of this increase was due to the purchase of capital assets which do not show as expenses in the statement of activities.

The net assets of our business-type activities decreased by approximately 5% (\$1,725,799 compared to \$1,818,272). Most of this decrease was due to higher operating expenses.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011
(Continued)

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 Primary Government	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 258,042	\$ 212,602	\$ 532,776	\$ 503,197	\$ 790,818	\$ 715,799
Operating grants and contributions	339,644	362,166	0	0	339,644	362,166
Capital grants and contributions	57,138	20,119	0	22,478	57,138	42,597
General revenues:						
Property taxes, penalties and interest	2,222,870	2,282,025	0	0	2,222,870	2,282,025
Investment income	12,845	7,848	8,427	6,864	21,272	14,712
Donations	34,954	35,024	0	0	34,954	35,024
Other general revenue	14,604	26,665	19,557	(17,384)	34,161	9,281
Total revenues	<u>2,940,097</u>	<u>2,946,449</u>	<u>560,760</u>	<u>515,155</u>	<u>3,500,857</u>	<u>3,461,604</u>
PROGRAM EXPENSES						
General government	875,945	976,096	0	0	875,945	976,096
Public safety	688,950	587,035	0	0	688,950	587,035
Highway and streets	691,484	648,172	0	0	691,484	648,172
Agency requests	215,300	223,500	0	0	215,300	223,500
Culture and recreation	96,126	57,704	0	0	96,126	57,704
Debt service	20,902	23,931	0	0	20,902	23,931
Health and cemetery	34,280	29,721	0	0	34,280	29,721
County tax	22,699	25,242	0	0	22,699	25,242
Water	0	0	134,554	140,247	134,554	140,247
Wastewater	0	0	125,838	89,152	125,838	89,152
Shared expenses	0	0	392,841	349,110	392,841	349,110
Total program expenses	<u>2,645,686</u>	<u>2,571,401</u>	<u>653,233</u>	<u>578,509</u>	<u>3,298,919</u>	<u>3,149,910</u>
Increase (decrease) in net assets	<u>\$ 294,411</u>	<u>\$ 375,048</u>	<u>\$ (92,473)</u>	<u>\$ (63,354)</u>	<u>\$ 201,938</u>	<u>\$ 311,694</u>

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011
(Continued)

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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
General government	\$ 875,945	\$ 568,496	\$ 976,096	\$ 677,310
Public safety	688,950	537,659	587,035	519,376
Highways and streets	691,484	552,538	648,172	439,849
Agency requests	215,300	215,300	223,500	223,500
Culture and recreation	96,126	38,988	57,704	37,585
All others	77,881	77,881	78,894	78,894
Totals	<u>\$ 2,645,686</u>	<u>\$ 1,990,862</u>	<u>\$ 2,571,401</u>	<u>\$ 1,976,514</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 \$983,510.

General Fund Budgetary Highlights

Exhibit G compares actual results for fiscal year 2011 to the approved budget for the General Fund. Revenues were greater than expenditures by \$72,177, which was \$72,177 better than the budget.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011
(Continued)

The most significant variances were as follows:

	Variance <u>Favorable (Unfavorable)</u>
REVENUES:	
Property taxes	\$ (54,043)
Intergovernmental	193,894
Fines and forfeits	16,061
Donations	34,954
EXPENDITURES:	
General government	\$ 33,219
Public safety	(63,922)
Capital outlays - public safety	(137,909)
Capital outlays - highways and streets	(21,419)
Capital outlays - culture and recreation	(75,289)
OTHER	
Debt proceeds - note payable	36,800
Debt proceeds - capital lease	62,343

Significant budget variances are explained below:

Revenues:

- The Town collected lower than budgeted property tax revenue due to setting the property tax rate with the total grand list value rather than the total municipal grand list value.
- The Town generated \$10,000 more than budgeted in judicial fines.
- The Hinesburg Community Police Department received \$86,000 in grant revenue that was not budgeted.
- The Town received \$95,381 in planning grants: \$36,000 for Mountain View and \$57,137 for the Recreation Path Project.

Expenditures:

- Public Safety COPS grant for additional police officer. This amount was offset by greater than anticipated revenues above.
- Hinesburg Community Police Department used a grant to purchase a generate to be used a Champlain Valley High School for \$32,780.
- The Town purchased two (2) police vehicles for a total of \$62,972.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011
(Continued)

Water and Wastewater Highlights

Exhibit I shows actual results for the Water and Wastewater Fund for fiscal year 2011. Expenses were greater than revenues by \$92,473. Included in the expenses for the year is depreciation expense of \$159,312. The cash in the Water and Wastewater Fund decreased by \$47,773 as reflected on Exhibit J of the financial statements.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the Town had \$9,641,930 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 decrease (including additions less depreciation) of \$33,972 compared to June 30, 2010.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,227,957	\$ 2,227,957	\$ 341,619	\$ 341,619	\$ 2,569,576	\$ 2,569,576
Construction in progress	361,577	277,015	0	0	361,577	277,015
Land improvements	332,584	360,872	0	0	332,584	360,872
Buildings	504,499	516,502	453,071	466,820	957,570	983,322
Equipment and vehicles	959,632	987,838	275,512	327,555	1,235,144	1,315,393
Improvements	0	0	2,916,605	2,992,333	2,916,605	2,992,333
Infrastructure	1,268,874	1,177,391	0	0	1,268,874	1,177,391
Totals	<u>\$ 5,655,123</u>	<u>\$ 5,547,575</u>	<u>\$ 3,986,807</u>	<u>\$ 4,128,327</u>	<u>\$ 9,641,930</u>	<u>\$ 9,675,902</u>

This year's major additions included:

	Governmental Activities	Business-type Activities	Totals
Shelburne Falls Road	\$ 156,519	\$ 0	\$ 156,519
HPD - portable radios	7,112	0	7,112
Pet generator	32,780	0	32,780
HPD - radar units	6,045	0	6,045
Bike - STP grant	75,289	0	75,289
Lot 1 - design and engineering	14,891	0	14,891
HPD - 2011 Chevy Tahoe	36,999	0	36,999
HPD - 2011 Dodge Charger	25,973	0	25,973
HFD - pumper	35,500	0	35,500
Wood chipper	17,400	0	17,400
Wastewater upgrade	0	17,792	17,792
	<u>\$ 408,508</u>	<u>\$ 17,792</u>	<u>\$ 426,300</u>

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, 2011
(Continued)

Debt

At June 30, 2011, the Town had \$3,163,325 in bonds and notes outstanding versus \$3,148,414 on June 30, 2010 – an increase of \$14,911 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-type Activities	Totals
Balances - July 1, 2010	\$ 501,012	\$ 2,647,402	\$ 3,148,414
New loans	99,143	112,958	212,101
Repayments	(127,190)	(70,000)	(197,190)
Balances - June 30, 2011	<u>\$ 472,965</u>	<u>\$ 2,690,360</u>	<u>\$ 3,163,325</u>

Economic Factors and Next Year's Budgets and Rates

The budget for FY2011-2012 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.

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, 2011

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 833,445	\$ 276,681	\$ 1,110,126
Investments	49,927	0	49,927
Receivables:			
Delinquent taxes	71,686	0	71,686
Delinquent tax interest	6,301	0	6,301
Sewer and water charges	0	175,841	175,841
Other	178,350	0	178,350
Prepaid expenses	52,955	0	52,955
Internal balances	10,684	(10,684)	0
Capital assets:			
Land	2,227,957	341,619	2,569,576
Land improvements	400,228	0	400,228
Construction in progress	361,577	0	361,577
Buildings	816,096	687,443	1,503,539
Improvements	0	3,717,127	3,717,127
Infrastructure	1,539,247	0	1,539,247
Equipment and vehicles	2,313,545	829,525	3,143,070
Accumulated depreciation	(2,003,527)	(1,588,907)	(3,592,434)
Total assets	<u>6,858,471</u>	<u>4,428,645</u>	<u>11,287,116</u>
LIABILITIES			
Accounts payable	92,227	1,378	93,605
Accrued and withheld payroll deductions	2,965	0	2,965
Accrued interest	9,808	5,715	15,523
Taxes collected in advance	4,405	0	4,405
Deferred revenue - town forest	3,231	0	3,231
Deferred revenue - police grants	1,115	0	1,115
Deferred revenue - bridge grant	19,021	0	19,021
Deferred revenue - other grants	7,574	0	7,574
Deferred revenue - development reimbursement	7,000	0	7,000
Bonds and notes payable due within one year	137,881	874,180	1,012,061
Accrued compensated absences	83,000	5,393	88,393
Bonds and notes payable due after one year	<u>335,084</u>	<u>1,816,180</u>	<u>2,151,264</u>
Total liabilities	<u>703,311</u>	<u>2,702,846</u>	<u>3,406,157</u>
NET ASSETS			
Unrestricted	755,007	429,352	1,184,359
Restricted:			
Cemetery	56,778	0	56,778
Impact fees	45,518	0	45,518
Other purposes	115,699	0	115,699
Invested in capital assets, net of related debt	<u>5,182,158</u>	<u>1,296,447</u>	<u>6,478,605</u>
Total net assets	<u>\$ 6,155,160</u>	<u>\$ 1,725,799</u>	<u>\$ 7,880,959</u>

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

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	\$ 875,945	\$ 225,831	\$ 81,618	\$ 0	\$ (568,496)	\$ 0	\$ (568,496)
Public safety	688,950	32,211	119,080	0	(537,659)	0	(537,659)
Highways and streets	691,484	0	138,946	0	(552,538)	0	(552,538)
Agency requests	215,300	0	0	0	(215,300)	0	(215,300)
Culture and recreation	96,126	0	0	57,138	(38,988)	0	(38,988)
Debt service	20,902	0	0	0	(20,902)	0	(20,902)
Health and cemetery	34,280	0	0	0	(34,280)	0	(34,280)
County tax	22,699	0	0	0	(22,699)	0	(22,699)
Total governmental activities	2,645,686	258,042	339,644	57,138	(1,990,862)	0	(1,990,862)
Business-type activities							
Water	134,554	326,943	0	0	0	192,389	192,389
Sewer	125,838	205,833	0	0	0	79,995	79,995
Shared expenses	392,841	0	0	0	0	(392,841)	(392,841)
Total business-type activities	653,233	532,776	0	0	0	(120,457)	(120,457)
Total government	\$ 3,298,919	\$ 790,818	\$ 339,644	\$ 57,138	(1,990,862)	(120,457)	(2,111,319)
General Revenues:							
Property taxes, penalties and interest					2,222,870	0	2,222,870
Earnings on investments					12,845	8,427	21,272
Gain (loss) on disposal of assets					1,700	0	1,700
Donations					34,954	0	34,954
Transfers to other funds					(1,064)	0	(1,064)
Miscellaneous					13,968	19,557	33,525
Total general revenues					2,285,273	27,984	2,313,257
Change in net assets					294,411	(92,473)	201,938
Net assets - July 1, 2010					5,860,749	1,818,272	7,679,021
Net assets - June 30, 2011					\$ 6,155,160	\$ 1,725,799	\$ 7,880,959

See Notes to Financial Statements.

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	Major Fund	Non-Major Funds	
	General	Special Revenue	
	Fund	Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 788,029	\$ 45,416	\$ 833,445
Investments	0	49,927	49,927
Receivables:			
Delinquent taxes	71,686	0	71,686
Delinquent tax interest	6,301	0	6,301
Other	178,350	0	178,350
Prepaid expenses	52,955	0	52,955
Due from other funds	11,748	9,069	20,817
Total assets	<u>\$ 1,109,069</u>	<u>\$ 104,412</u>	<u>\$ 1,213,481</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 91,175	\$ 1,052	\$ 92,227
Accrued and withheld payroll deductions	2,965	0	2,965
Taxes collected in advance	4,405	0	4,405
Deferred revenue - taxes	45,500	0	45,500
Deferred revenue - town forest	3,231	0	3,231
Deferred revenue - police grants	1,115	0	1,115
Deferred revenue - bridge grant	19,021	0	19,021
Deferred revenue - other grants	7,574	0	7,574
Deferred revenue - development reimbursement	7,000	0	7,000
Deferred revenue - Mt. View	36,800	0	36,800
Due to other funds	9,069	1,064	10,133
Total liabilities	<u>227,855</u>	<u>2,116</u>	<u>229,971</u>
FUND BALANCES			
Fund balances			
Nonspendable - prepaids	52,955	0	52,955
Restricted	115,699	102,296	217,995
Assigned	282,544	0	282,544
Unassigned	430,016	0	430,016
Total fund balances	<u>881,214</u>	<u>102,296</u>	<u>983,510</u>
Total liabilities and fund balances	<u>\$ 1,109,069</u>	<u>\$ 104,412</u>	<u>\$ 1,213,481</u>

TOWN OF HINESBURG, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	983,510
------------------------------------------	----	---------

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 \$7,658,650 and the accumulated depreciation is \$2,003,527.		5,655,123
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-----------

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	45,500	
Deferred revenue - Mt. View loan	<u>36,800</u>	82,300

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	472,965	
Accrued interest on bonds and notes payable	9,808	
Accrued compensated absences	<u>83,000</u>	<u>(565,773)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u><u>6,155,160</u></u>
--------------------------------------------	----	-------------------------

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

YEAR ENDED JUNE 30, 2011

	Major Fund General Fund	Non-Major Funds Special Revenue Funds	Totals
REVENUES			
Property taxes	\$ 2,192,440	\$ 0	\$ 2,192,440
Penalties and interest	18,930	0	18,930
Licenses and permits	45,185	0	45,185
Impact fees	0	35,818	35,818
Intergovernmental	396,782	0	396,782
Charges for services	144,828	0	144,828
Fines and forfeits	32,211	0	32,211
Investment income (loss)	3,049	9,796	12,845
Donations	34,954	0	34,954
Miscellaneous income	13,393	575	13,968
Total revenues	<u>2,881,772</u>	<u>46,189</u>	<u>2,927,961</u>
EXPENDITURES			
Current			
General government	877,710	0	877,710
Public safety	594,985	0	594,985
Highways and streets	527,770	0	527,770
Culture and recreation	91,879	0	91,879
Health and cemetery	29,466	5,878	35,344
County tax	22,699	0	22,699
Agency requests	215,300	0	215,300
Capital outlays			
General government	7,185	7,706	14,891
Public safety	144,409	0	144,409
Highways and streets	173,919	0	173,919
Culture and recreation	75,289	0	75,289
Debt service			
General government - interest	22,637	0	22,637
Highways and streets - principal	127,190	0	127,190
Total expenditures	<u>2,910,438</u>	<u>13,584</u>	<u>2,924,022</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES			
	<u>(28,666)</u>	<u>32,605</u>	<u>3,939</u>
OTHER FINANCING SOURCES			
Debt proceeds - notes payable	36,800	0	36,800
Debt proceeds - capital lease	62,343	0	62,343
Sale of vehicle	1,700	0	1,700
Total other financing sources	<u>100,843</u>	<u>0</u>	<u>100,843</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES			
	72,177	32,605	104,782
FUND BALANCES - JULY 1, 2010	<u>809,037</u>	<u>69,691</u>	<u>878,728</u>
FUND BALANCES - JUNE 30, 2011	<u>\$ 881,214</u>	<u>\$ 102,296</u>	<u>\$ 983,510</u>

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, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	104,782
--------------------------------------------------------	----	---------

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

Pass-through loan disbursements are reported in governmental funds as expenditures. However, in the statement of activities, the loan disbursements are not expenses.		36,800
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

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 \$408,508 exceeds depreciation expense of \$300,960 in the period.		107,548
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------

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.		127,190
--------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------

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.		(99,143)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	----------

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 \$11,500.		11,500
----------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

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 used exceeded the amounts incurred by \$4,000.		4,000
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------

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 decreased.		1,734
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	294,411
-------------------------------------------------	----	---------

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

YEAR ENDED JUNE 30, 2011

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,246,483	\$ 2,192,440	\$ (54,043)
Penalties and interest	16,000	18,930	2,930
Licenses and permits	43,250	45,185	1,935
Intergovernmental	202,888	396,782	193,894
Charges for services	132,267	144,828	12,561
Fines and forfeits	16,150	32,211	16,061
Investment income	4,000	3,049	(951)
Donations	0	34,954	34,954
Miscellaneous income	3,500	13,393	9,893
Total revenues	<u>2,664,538</u>	<u>2,881,772</u>	<u>217,234</u>
EXPENDITURES			
Current			
General government	910,929	877,710	33,219
Public safety	531,063	594,985	(63,922)
Highways and streets	526,978	527,770	(792)
Culture and recreation	88,527	91,879	(3,352)
Health and cemetery	32,364	29,466	2,898
County tax	26,968	22,699	4,269
Agency requests	225,596	215,300	10,296
Capital outlays			
General government	0	7,185	(7,185)
Public safety	6,500	144,409	(137,909)
Highways and streets	152,500	173,919	(21,419)
Culture and recreation	0	75,289	(75,289)
Debt service			
Interest	21,501	22,637	(1,136)
Principal	141,612	127,190	14,422
Total expenditures	<u>2,664,538</u>	<u>2,910,438</u>	<u>(245,900)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>0</u>	<u>(28,666)</u>	<u>(28,666)</u>
OTHER FINANCING SOURCES			
Debt proceeds - note payable	0	36,800	36,800
Debt proceeds - capital lease	0	62,343	62,343
Sale of vehicle	0	1,700	1,700
Total other financing sources	<u>0</u>	<u>100,843</u>	<u>100,843</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 0</u>	<u>72,177</u>	<u>\$ 72,177</u>
FUND BALANCE - JULY 1, 2010		<u>809,037</u>	
FUND BALANCE - JUNE 30, 2011		<u>\$ 881,214</u>	

TOWN OF HINESBURG, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

EXHIBIT H

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 276,681
Accounts receivable:	
Water/sewer and other fees	175,841
Total current assets	<u>452,522</u>
Noncurrent assets:	
Capital assets	
Land	341,619
Buildings	687,443
Equipment and vehicles	829,525
Improvements	3,717,127
Accumulated depreciation	(1,588,907)
Total noncurrent assets	<u>3,986,807</u>
Total assets	<u>4,439,329</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,378
Accrued interest	5,715
Due to General Fund	10,684
Accrued compensated absences	5,393
Bonds and notes payable due within one year	874,180
Total current liabilities	<u>897,350</u>
Noncurrent liabilities:	
Bonds and notes payable due after one year	<u>1,816,180</u>
Total liabilities	<u>2,713,530</u>
NET ASSETS	
Unrestricted	429,352
Invested in capital assets, net of related debt	<u>1,296,447</u>
Total net assets	<u><u>\$ 1,725,799</u></u>

TOWN OF HINESBURG, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

EXHIBIT I

	<u>Water and Sewer</u>
OPERATING REVENUES:	
Charges for services:	
Water	\$ 326,943
Sewer	169,926
Fees and charges	35,907
Miscellaneous income	19,557
Total operating revenues	<u>552,333</u>
OPERATING EXPENSES:	
Water Department	64,272
Sewer Department	125,838
Shared expenses	392,841
Total operating expenses	<u>582,951</u>
INCOME FROM OPERATIONS	<u>(30,618)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and late charges	8,427
Interest expense	(70,282)
Total nonoperating revenues (expenses)	<u>(61,855)</u>
CHANGE IN NET ASSETS	(92,473)
NET ASSETS - JULY 1, 2010	<u>1,818,272</u>
NET ASSETS - JUNE 30, 2011	<u><u>\$ 1,725,799</u></u>

TOWN OF HINESBURG, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

EXHIBIT J

	Water and Sewer
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 512,223
Cash payments to employees and related benefits	(199,289)
Cash payments to suppliers for goods and services	(223,482)
Net cash from operating activities	<u>89,452</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund paydown	<u>(10,980)</u>
CASH FLOWS TO CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(17,792)
Payment of prior year accounts payable for capital assets	(89,216)
Interest paid on bonds	(70,622)
Proceeds from VT Muni Bond Bank/ARRA	112,958
Retirement of bonds & loans	(70,000)
Net cash to capital and related financing activities	<u>(134,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>8,427</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,773)
CASH AND CASH EQUIVALENTS - JULY 1, 2010	<u>324,454</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2011	<u><u>\$ 276,681</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Income from operations	\$ (30,618)
Adjustments to reconcile income from operations to net cash flow from operating activities:	
Depreciation	159,312
Change in assets and liabilities:	
Increase in accounts receivable	(22,607)
Decrease in accounts payable	(16,635)
Net cash from operating activities	<u><u>\$ 89,452</u></u>

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

EXHIBIT K

JUNE 30, 2011

	<u>Private Purpose Trusts</u>		<u>Total</u>
	<u>Peck Estate</u>	<u>Eddy Family Recreation</u>	<u>Trust Funds</u>
ASSETS			
Cash	\$ 4,537	\$ 92,640	\$ 97,177
Investments	<u>803,973</u>	<u>0</u>	<u>803,973</u>
Total assets	<u>808,510</u>	<u>92,640</u>	<u>901,150</u>
LIABILITIES			
Liabilities:			
Due to other organizations	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS			
Held in trust for others	<u>\$ 808,510</u>	<u>\$ 92,640</u>	<u>\$ 901,150</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2011

	Peck Estate	Eddy Family Recreation	Total Private Purpose Trusts
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Interest and dividends	\$ 32,432	\$ 137	\$ 32,569
Unrealized investment gain (loss)	94,743	0	94,743
	<u> </u>	<u> </u>	<u> </u>
Total additions	127,175	137	127,312
	<u> </u>	<u> </u>	<u> </u>
DEDUCTIONS			
Administrative expenses	4,606	0	4,606
Payment to school	28,000	0	28,000
	<u> </u>	<u> </u>	<u> </u>
Total deductions	32,606	0	32,606
	<u> </u>	<u> </u>	<u> </u>
CHANGE IN NET ASSETS	94,569	137	94,706
NET ASSETS, JULY 1, 2010	713,941	92,503	806,444
	<u> </u>	<u> </u>	<u> </u>
NET ASSETS, JUNE 30, 2011	\$ 808,510	\$ 92,640	\$ 901,150
	<u> </u>	<u> </u>	<u> </u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011
(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, 2011
(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 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.

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, 2011
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund 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.

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.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

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.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(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, 2011, \$102,707 of the government's bank balance of \$1,274,198 was exposed to custodial credit risk.

Investments

As of June 30, 2011, the Town had the following investments.

Investment type:	
Mutual funds	\$ 112,288
Common stock	435,456
Corporate bonds	306,156
	<u>\$ 853,900</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, 2011
(Continued)

NOTE 3 - CAPITAL ASSETS

Governmental Activities

The summary of capital assets as of June 30, 2011 is as follows:

	July 1, 2010	Depreciation and Additions	Deletions	June 30, 2011
Capital assets not depreciated				
Land	\$ 2,227,957	\$ 0	\$ 0	\$ 2,227,957
Construction in progress	277,015	90,180	(5,618)	361,577
Total capital assets not depreciated	2,504,972	90,180	(5,618)	2,589,534
Capital assets being depreciated				
Land improvements	400,228	0	0	400,228
Buildings	816,096	0	0	816,096
Infrastructure	1,377,110	162,137	0	1,539,247
Equipment and vehicles	2,202,148	161,809	(50,412)	2,313,545
Total capital assets being depreciated	4,795,582	323,946	(50,412)	5,069,116
Less accumulated depreciation for:				
Land improvements	39,356	20,216	0	59,572
Buildings	299,594	20,626	0	320,220
Infrastructure	199,719	70,653	0	270,372
Equipment and vehicles	1,214,310	189,465	(50,412)	1,353,363
Accumulated depreciation	1,752,979	300,960	(50,412)	2,003,527
Total capital assets, net	\$ 5,547,575	\$ 113,166	\$ (5,618)	\$ 5,655,123

Proprietary Fund

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

	July 1, 2010	Depreciation and Additions	Deletions	June 30, 2011
Water and Sewer Fund				
Land	\$ 341,619	\$ 0	\$ 0	\$ 341,619
Buildings	687,443	0	0	687,443
Improvements	3,699,335	17,792	0	3,717,127
Equipment and vehicles	829,525	0	0	829,525
Total capital assets	5,557,922	17,792	0	5,575,714
Less accumulated depreciation for:				
Buildings	220,623	13,749	0	234,372
Improvements	707,002	94,300	0	801,302
Equipment and vehicles	501,970	51,263	0	553,233
Accumulated depreciation	1,429,595	159,312	0	1,588,907
Total capital assets, net	\$ 4,128,327	\$ (141,520)	\$ 0	\$ 3,986,807

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 39,035
Public safety	93,965
Highway and streets	163,714
Culture and recreation	4,246
Total governmental activities depreciation expense	<u>\$ 300,960</u>
Business-type activities:	
Water and sewer - shared expenses	<u>\$ 159,312</u>

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, 2011 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 11,748	\$ 9,069
Enterprise Funds	0	10,684
Special Revenue Fund	9,069	1,064
	<u>\$ 20,817</u>	<u>\$ 20,817</u>

NOTE 5 – ACCOUNTS RECEIVABLE - OTHER

Accounts receivable – other consists of:

State of Vt. - STP Bike Grant	\$ 77,257
Vt. Public Safety - Pet Shelter Grant	32,780
Other grants	22,384
State of Vt. - judicial fines	3,358
V.A.O.T. - FEMA funds	1,125
Other fees and reimbursements	4,646
Mountain View Mobile Home Park	36,800
	<u>\$ 178,350</u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 6 - LONG-TERM LIABILITIES

Notes, bonds and leases 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.	\$ 40,000	\$ 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.	30,000	30,000
Note Payable - People's United Bank, interest at 3.0%, maturing September 3, 2013. Annual principal payments of \$27,130 beginning September 3, 2010.	81,389	27,130
Note Payable - Vermont Municipal Bond Bank, interest at 3.87% annual payments of principal and interest, maturing December 1, 2016.	65,000	15,000
Capital Lease Payable - Kansas State Bank, interest at 5.39%, maturing September 15, 2017, payments of \$22,993 due annually beginning September 15, 2009.	131,186	15,922
Capital Lease Payable - Kansas State Bank, interest at 4.6%, maturing October 16, 2013, payments of \$11,433 due annually beginning October 16, 2010.	31,083	9,851
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.	57,507	19,978
Note Payable - Clean Water State Revolving Loan Fund, 0% interest maturing November 1, 2019, payments of \$7,360 due annually beginning November 1, 2015.	36,800	0
Total governmental activities bonds and notes payable	472,965	137,881
Accrued compensated absences	83,000	0
Total governmental activities	<u>\$ 555,965</u>	<u>\$ 137,881</u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 6 – 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.	\$ 1,120,000	\$ 70,000
Bond Payable - Vermont Municipal Bond Bank, \$125,111 at 0% interest, maturing March 1, 2031, annual payments of \$1,833 beginning March 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, \$1,591,676 at 0% interest with a 2% admin. fee, maturing March 1, 2031, annual payments of \$48,671 beginning March 1, 2012. As of June 30, 2011, \$1,540,383 of this loan had been disbursed to the Town. At the completion of the project, the Town will be eligible for an ARRA loan subsidy of 50% of eligible infrastructure costs.	1,540,383	802,946
Total business activities bonds and notes payable	<u>2,690,360</u>	<u>874,180</u>
Accrued compensated absences	<u>5,393</u>	<u>0</u>
Total business activities	<u><u>\$ 2,695,753</u></u>	<u><u>\$ 874,180</u></u>

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Total	Governmental Activities	Business-type Activities
Long-term liabilities at July 1, 2010	\$ 3,251,682	\$ 588,012	\$ 2,663,670
Increase (decrease) in accr. vacation payable	(14,875)	(4,000)	(10,875)
Bond and note proceeds	212,101	99,143	112,958
Bonds and notes retired	<u>(197,190)</u>	<u>(127,190)</u>	<u>(70,000)</u>
Long-term liabilities at June 30, 2011	3,251,718	555,965	2,695,753
Due within one year	<u>1,012,061</u>	<u>137,881</u>	<u>874,180</u>
Due after one year	<u><u>\$ 2,239,657</u></u>	<u><u>\$ 418,084</u></u>	<u><u>\$ 1,821,573</u></u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 6 – LONG TERM LIABILITIES (Continued)

As of June 30, 2011, the maturities of the notes and bonds payable are as follows:

	Governmental Funds			Water and Sewer Fund		
	Interest			Interest		
	Principal	and admin. fee	Total	Principal	and admin. fee	Total
June 30, 2012	\$ 137,881	\$ 18,700	\$ 156,581	\$ 874,180	\$ 83,000	\$ 957,180
June 30, 2013	105,293	13,000	118,293	104,667	78,200	182,867
June 30, 2014	82,192	8,600	90,792	105,361	73,300	178,661
June 30, 2015	35,998	6,200	42,198	106,068	68,400	174,468
June 30, 2016	37,003	4,000	41,003	106,789	63,500	170,289
2017-2021	74,598	3,700	78,298	545,282	241,400	786,682
2022-2026	0	0	0	565,609	112,800	678,409
2027-2031	0	0	0	282,404	15,600	298,004
Total	<u>\$ 472,965</u>	<u>\$ 54,200</u>	<u>\$ 527,165</u>	<u>\$2,690,360</u>	<u>\$ 736,200</u>	<u>\$ 3,426,560</u>

NOTE 7 - 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, 2011 was \$83,000 for governmental activities and \$5,393 for business-type activities and is reflected on the Government-wide Statement of Net Assets. During fiscal year 2011 this balance decreased by \$4,000 for governmental activities and decreased \$10,885 for business-type activities. A long time employee of the Water and Sewer Department left the Town's employment in the current fiscal year and received a lump sum payout of his accumulated time.

NOTE 8 - 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.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 9 – RESTRICTED AND ASSIGNED FUND BALANCES AND NET ASSETS

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

:

	<u>Fund Balance Assigned</u>	<u>Fund Balance Restricted</u>	<u>Net Assets Restricted</u>
<u>General Fund</u>			
Reappraisal	\$ 0	\$ 94,066	\$ 94,066
Fire Department - landscaping	12,515	0	0
Land preservation	7,431	0	0
Print, bind & microfilm	10,505	0	0
Records restoration	0	21,633	21,633
Recreation - capital expense	21,744	0	0
Recreation Path Committee	138,739	0	0
Corridor improvement	58,321	0	0
Tree planting	3,021	0	0
Police station building	6,490	0	0
Conservation committee	6,821	0	0
Police vehicle	11,039	0	0
Recreation - facilities maintenance	5,918	0	0
Cemetery	0	56,778	56,778
Impact fees	0	45,518	45,518
	<u>\$ 282,544</u>	<u>\$ 217,995</u>	<u>\$ 217,995</u>

Proprietary Fund

The Sewer and Water Fund has unrestricted net assets of \$429,352 as of June 30, 2011, of which \$6,904 is set aside for sludge removal and \$133,200 for other sewer and water projects.

NOTE 10 - 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, 2011
(Continued)

NOTE 10 - 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, 2011 were calculated as follows:

	<u>Grand List</u>	<u>Tax Rate</u>	<u>Total Amount</u>
Municipal	\$ 500,592,385	\$0.4384	\$ 2,194,597
Non-residential education	123,513,060	1.4299	1,766,113
Residential education	375,245,025	1.4275	<u>5,356,623</u>
Property taxes billed			9,317,333
Abatements and adjustments			(3,716)
Property taxes paid to School District			(7,109,677)
Change in deferred property taxes			<u>(11,500)</u>
Property tax revenues recognized in General Fund			<u><u>\$ 2,192,440</u></u>

NOTE 11 - 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 \$1,062,567, \$805,412 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 \$40,267 for fiscal year 2011, \$39,335 for fiscal year 2010, and \$39,569 for fiscal year 2009.

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

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 11 - 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 \$1,062,567, \$141,694 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$7,208 and by the employees were \$7,085.

NOTE 12 - 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 13 - 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, 2011 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 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2011, expenditures exceeded appropriations in the General Fund by \$245,900. The excess expenditures were funded by excess revenue.

NOTE 15 – 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 \$24,500, while credit for energy produced were \$17,502.

Future minimum rental payments are as follows:

6/30/2012	\$ 42,000
6/30/2013	42,000
6/30/2014	42,000
6/30/2015	42,000
6/30/2016	17,500

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

NOTE 16 – SUBSEQUENT EVENTS

In July, 2011, the Town received approval for an increase in the Clean Water State Revolving Loan of \$238,200 bringing the total loan to \$275,000 from \$36,800.

Management has evaluated subsequent events through January 3, 2012, the date which the financial statements were available for issue. Management is not aware of any other subsequent events which require disclosure.

TOWN OF HINESBURG, VERMONT
COMBINING BALANCE SHEET
ALL NON MAJOR FUNDS
JUNE 30, 2011

SCHEDULE 1

	Cemetery Fund	Impact Fee Fund	Total
ASSETS			
Cash	\$ 8,967	\$ 36,449	\$ 45,416
Investments	49,927	0	49,927
Due from General Fund	0	9,069	9,069
	<u>0</u>	<u>9,069</u>	<u>9,069</u>
Total assets	<u>\$ 58,894</u>	<u>\$ 45,518</u>	<u>\$ 104,412</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 1,052	\$ 0	\$ 1,052
Due to General Fund	1,064	0	1,064
	<u>1,064</u>	<u>0</u>	<u>1,064</u>
Total liabilities	<u>2,116</u>	<u>0</u>	<u>2,116</u>
FUND BALANCES			
Restricted for specific purposes	<u>56,778</u>	<u>45,518</u>	<u>102,296</u>
Total liabilities and fund balances	<u>\$ 58,894</u>	<u>\$ 45,518</u>	<u>\$ 104,412</u>

TOWN OF HINESBURG, VERMONT SCHEDULE 2
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL NON MAJOR FUNDS
 YEAR ENDED JUNE 30, 2011

	Cemetery Fund	Impact Fee Fund	Total
REVENUES			
Impact fees	\$ 0	\$ 35,818	\$ 35,818
Investment income	9,754	42	9,796
Miscellaneous income	575	0	575
Total revenues	<u>10,329</u>	<u>35,860</u>	<u>46,189</u>
EXPENDITURES			
Cemetery expenses	5,878	0	5,878
Police impact expenditures	0	1,542	1,542
Capital outlays - fire	0	6,164	6,164
Total expenditures	<u>5,878</u>	<u>7,706</u>	<u>13,584</u>
EXCESS REVENUES	4,451	28,154	32,605
FUND BALANCES - JULY 1, 2010	<u>52,327</u>	<u>17,364</u>	<u>69,691</u>
FUND BALANCES - JUNE 30, 2011	<u><u>\$ 56,778</u></u>	<u><u>\$ 45,518</u></u>	<u><u>\$ 102,296</u></u>

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

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

January 3, 2012

Selectboard Members
Town of Hinesburg
Hinesburg, VT

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hinesburg, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town in a separate letter dated January 3, 2012.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, legislative or regulatory body, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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